



# Future Bright Mining Holdings Limited 高鵬礦業控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code : 2212)



# 2022

## Annual Report

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Li Yuguo <sup>Note 1</sup>

Liu Jiang <sup>Note 2</sup>

Liu Yan Chee James

Lyu Bin

Wang Ruoxi

Yang Jiantong <sup>Note 3</sup>

Yang Xiaoqiang (*Vice Chairman*)

### Independent Non-Executive Directors

Chen Xun <sup>Note 2</sup>

Prof. Lau Chi Pang *J.P.*

Liu Shuyan

Wang Xiaolong <sup>Note 3</sup>

Zhang Yijun

## COMPANY SECRETARY

Wu Ho Wai

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3603, 36th Floor  
West Tower, Shun Tak Centre  
168–200 Connaught Road Central  
Sheung Wan, Hong Kong

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 207 Shuijing Avenue  
Chengguan Town  
Nanzhang County, Xiangyang City  
Hubei Province, the PRC

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## AUDIT COMMITTEE

Liu Shuyan (*Chairperson*)

Chen Xun <sup>Note 4</sup>

Prof. Lau Chi Pang *J.P.*

Wang Xiaolong <sup>Note 3</sup>

Zhang Yijun

## NOMINATION COMMITTEE

Wang Xiaolong (*Chairman*) <sup>Note 3</sup>

Chen Xun (*Former Chairman*) <sup>Note 4</sup>

Prof. Lau Chi Pang *J.P.*

Liu Shuyan

Yang Jiantong <sup>Note 3</sup>

Zhang Yijun

## REMUNERATION COMMITTEE

Wang Xiaolong (*Chairman*) <sup>Note 3</sup>

Chen Xun (*Former Chairman*) <sup>Note 4</sup>

Prof. Lau Chi Pang *J.P.*

Liu Shuyan

Yang Jiantong <sup>Note 3</sup>

Zhang Yijun

## AUTHORISED REPRESENTATIVES

Li Yuguo

Wu Ho Wai

Note 1: Resigned as chief executive officer on 23 May 2022

Note 2: Resigned with effect from 23 May 2022

Note 3: Appointed on 23 May 2022

Note 4: Ceased to be the chairman or member, as appropriate, on 23 May 2022

### **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking Corporation Limited  
China Construction Bank (Asia) Corporation Company Limited  
China Citic Bank International Limited

### **LEGAL ADVISER AS TO HONG KONG LAWS**

Kwok Yih & Chan  
Suite 1501, 15th Floor  
Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong

### **AUDITORS**

Lau & Au Yeung C.P.A. Limited  
21st Floor, Tai Yau Building  
181 Johnston Road  
Wanchai, Hong Kong

### **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **STOCK CODE**

2212

### **WEBSITE**

<http://www.futurebrightltd.com>  
(information contained in this website does not form part of this report)

# KEY FINANCIAL HIGHLIGHTS

	2022 RMB'000	2021 RMB'000	Change
<b>RESULTS</b>			
Revenue	63,884	24,667	158.99%
Gross profit	<u>8,575</u>	<u>3,529</u>	<u>142.99%</u>
Loss before tax	(7,800)	(3,882)	100.93%
Income tax (expenses)/credit	<u>(1,131)</u>	<u>1,193</u>	<u>-194.80%</u>
Loss for the year	(8,931)	(2,689)	232.13%
Loss attributable to owners of the Company	<u>(8,867)</u>	<u>(2,491)</u>	<u>255.96%</u>
Basic and diluted loss per share	<u>RMB1.01 cents</u>	(Restated) <u>RMB0.28 cents</u>	<u>260.71%</u>

	2022 RMB'000	2021 RMB'000	Change
<b>KEY ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
Equity attributable to owners of the Company	52,533	59,590	-11.84%
Total assets	74,086	67,315	10.06%
Net assets per share	<u>RMB0.058</u>	(Restated) <u>RMB0.066</u>	<u>-12.12%</u>

	2022	2021	Change
<b>OPERATION SUMMARY OF YIDUOYAN PROJECT</b>			
Marble blocks production volume (m <sup>3</sup> )	—	6,182	-100.00%
Marble blocks sales volume (m <sup>3</sup> )	1,851	4,257	-56.52%
Marble blocks average sale price, excluding VAT (RMB)	<u>4,215</u>	<u>3,201</u>	<u>31.68%</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

During the year ended 31 December 2022 (the “Year”), the operating revenue of Future Bright Mining Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) was approximately RMB63.88 million, representing an increase of approximately 158.99% as compared to the operating revenue of approximately RMB24.67 million for the year of 2021 (the “FY2021”). Although the average selling price of marble block per cubic metre excavated from our mining site for the Year has increased by approximately 31.68% per cubic metre when compared with the price for FY2021, the continuation of novel coronavirus (“COVID-19”) pandemic and the debt crisis of some of the PRC property developers have affected the overall market condition and sentiment of the real estate and construction industry. Some of these PRC property developers, being customers of the Group’s marble business, requested to delay the orders and reduce the volume of marble blocks ordered. Besides, due to the incremental increase in shipping prices globally, it was difficult to arrange shipment of marble blocks from overseas at a reasonable price. As a result, revenue from the marble business for the Year has been negatively affected, which decreased to approximately RMB7.56 million (FY2021: approximately RMB24.67 million).

In order to diversify the existing business of the Group, a new subsidiary was established to start the trading of coals in June 2022. The raw coal of the Group’s trading business was directly sourced from well-established coal producers in Inner Mongolia and sold to PRC customers whose businesses include trading or sales of commodities, import and export operations. The selling price of coal is sensitive to the market condition. During the Year, the trading volume was approximately 113,000 tons and revenue generated from this segment was approximately RMB56.32 million (FY2021: Nil).

The following table sets forth the breakdown of the Group’s revenue by business segment for the Year and for FY2021:

	RMB’000	2022 Percentage to total revenue	Gross Profit margin	RMB’000	2021 Percentage to total revenue	Gross Profit margin
Marble block	7,563	11.84%	50.11%	24,667	100.00%	14.31%
Commodity trading	56,321	88.16%	8.48%	—	0.00%	0.00%
Total	63,884	100.00%	13.42%	24,667	100.00%	14.31%

### Cost of Sales

The Group’s cost of sales increased from approximately RMB21.14 million for FY2021 to approximately RMB55.31 million for the Year, representing an increase of approximately 161.64%. The cost of sales represented the marble blocks mining and purchasing costs. The marble blocks mining costs mainly comprised of sub-contractor fee, materials consumption, fuel, electricity, processing fee of abandoned stones, depreciation of production equipment, amortisation of mining rights and repairs and maintenance of machinery, whereas the purchasing costs represented the cost of sourcing of coals, marble and sandstone blocks from external suppliers.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Gross Profit and Gross Profit Margin**

The gross profit of the Group increased to approximately RMB8.58 million for the Year (Gross profit margin of approximately 13.42%) when compared with the gross profit for FY2021 of approximately RMB3.53 million (FY2021: gross profit margin of approximately 14.31%). The gross profit margin of the marble block segment increased to approximately 50.11% as compared to the gross profit margin of FY2021. The change was due to the increase of the average selling price and decrease of processing fee for abandoned stones accumulated from previous years. However, the increase of the gross profit margin of the marble block segment was partially offset by the lower profit margin of the commodity trading segment, being approximately 8.48%, which in turn resulted in an average gross profit margin of approximately 13.42% of the Group for the Year (FY2021: average gross profit margin of approximately 14.31%).

### **Other Income and Gains**

Other income and gains for the Year were approximately RMB0.49 million, which represented a decrease of approximately RMB2.64 million as compared to the other income and gains of approximately RMB3.13 million for FY2021. The decrease was mainly attributable to the decrease of rental income of production machinery from approximately RMB2.29 million to Nil for the Year.

### **Selling and Distribution Expenses**

During the Year, no selling and distribution expenses were incurred as all transportation costs were borne by customers (FY2021: approximately RMB0.12 million).

### **Administrative Expenses**

Administrative expenses mainly included legal and professional fees, exploration expenses, printing and announcement fee, depreciation, annual listing fee, directors' remuneration, salaries and benefits of staff and other general office expenses. Administrative expenses of the Group increased by approximately RMB5.46 million or 58.46% from approximately RMB9.34 million for FY2021 to approximately RMB14.80 million for the Year. The increase was mainly driven by the additional amount of exploration expenses incurred for the exploration work carried out for renewal of the mining permit, staff salaries and depreciation for leasing of new office premises in Hong Kong.

### **Impairment on Financial Assets, Net**

The management assesses the measurement of expected credit losses in relation to financial assets. An impairment losses of approximately RMB6.06 million was reversed for the Year (FY2021: impairment losses of approximately RMB0.53 million was provided). The reversal of impairment losses was mainly due to the written-off of long outstanding trade receivables of approximately RMB5.52 million. Besides, since the balance of deposits paid for acquisition of machinery was fully refunded by the supplier during the Year, impairment losses of approximately RMB0.54 million provided in prior year was also reversed.

### **Losses on Changes in Fair Value of Financial Assets at Fair Values Through Profit or Loss**

As at 31 December 2022, the Group had current equity investments at fair value through profit or loss of approximately RMB0.10 million which were investments in various Hong Kong listed shares and other investments (as at 31 December 2021: approximately RMB0.12 million). The Group recorded net fair value loss of equity investments of approximately RMB0.03 million for the Year (FY2021: approximately RMB0.19 million).

### Other Operating Expenses

Other operating expenses increased from approximately RMB0.18 million for FY2021 to approximately RMB7.78 million for the Year, primarily due to the bad debts written off of approximately RMB5.52 million for the Year (FY2021: approximately RMB0.01 million). These long outstanding balances were brought forward from previous years of the marble block segment and considered to be uncollectible. Other operating expenses also included net foreign exchange loss of approximately RMB2.09 million for the Year (FY2021: net exchange gain of approximately RMB0.66 million) and cash and in-kind donation of approximately RMB0.13 million during the Year (FY2021: approximately RMB0.05 million).

The Directors performed impairment assessment on the non-financial assets of the marble block segment as at 31 December 2022 with reference to a valuation report issued by an independent qualified valuer. No impairment of non-financial assets was provided during the Year (FY2021: Nil). Details of impairment test and related assumptions used for valuation are discussed in the paragraph headed "Impairment Assessment" below.

### Finance Costs

Finance costs increased from approximately RMB0.18 million for FY2021 to approximately RMB0.32 million for the Year. The Group's finance costs represented interest on discounted provision for rehabilitation and lease liabilities of office premises. During the Year, the Group has entered into long-term lease contracts for both office premises in Hong Kong and the PRC, which in turn increased the interest on lease liabilities.

### Loss Attributable to Owners of the Company

In view of the above factors, loss attributable to owners of the Company increased by 255.96% to approximately RMB8.87 million for the Year (FY2021: approximately RMB2.49 million). The change was mainly resulted from the increase of administrative expenses and other operating expenses during the Year.

### Impairment Assessment

With respect to the impairment assessment for non-financial assets of the marble block segment, the Group engaged AP Appraisal Limited, an independent qualified valuer, to carry out a valuation of the recoverable amount of the cash-generating unit ("CGU") as at 31 December 2022, based on the value-in-use ("VIU") calculations. The valuation uses cash flow projections based on financial estimates covering a ten-year period and a discount rate of 14%. Such a projection period was estimated based on the mine reserve and anticipated annual consumption volume. There was no change in the valuation method used in current and prior years. The major underlying assumptions used in the VIU calculation for impairment assessment are summarised as follows:

- the discounted cash flow projections were based on the mine reserve and Director's judgement the mining permit shall be renewed by May 2023 for 10 years till 2033;
- the average gross margin (% of revenue) of 51.96% is based on past practices and expectations of future changes in the market;
- the discount rates using pre-tax rates of 14% that reflect current market assessments of the time value of money and the risk specific to the CGU; and
- the growth rates of sales volume and unit price are by reference to past experience and industry growth forecasts.

## MANAGEMENT DISCUSSION AND ANALYSIS

The valuation method of discounted cash flow (“**DCF**”) was adopted for the calculation of the VIU of the CGU. DCF analysis is a method used to estimate the value of an investment based on its future cash flows. DCF analysis determines the value of the company today based on projections on how much cashflow the company will generate in the future.

According to the Standards and Guidelines for Valuation of Mineral Properties issued by the Special Committee of the Canadian Institute of Mining, Metallurgy and Petroleum on Valuation of Mineral Properties (“**CIMVAL**”), the DCF valuation method is very widely used and is generally accepted in Canada as the preferred method for valuation of mineral properties. CIMVAL is also recognised by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) under Chapter 18 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

No impairment provision was made for the Year as the Directors consider that the recoverable amount of the CGU had exceeded the carrying amount with reference to the valuation report (FY2021: Nil).

### BUSINESS REVIEW

#### Marble and Marble-related Business

During the Year, we are continuously focusing on the development of the Yiduoyan Project, which is an open pit mine located in Hubei Province of the PRC. A total of 1,851 m<sup>3</sup> of marble blocks had been sold in 2022 (FY2021: 4,257 m<sup>3</sup>). The revenue generated from this business segment during the Year amounted to approximately RMB7.56 million (FY2021: approximately RMB24.67 million).

Although the average selling price of marble block per cubic metre excavated from our mining site increased when compared with the price for the FY2021, the continuation of COVID-19 pandemic and the debt crisis of some of the PRC property developers have affected the overall market condition and sentiment of the real estate and construction industry. Some of these PRC property developers, being customers of the Group’s marble business, requested to delay the orders and reduce the volume of marble blocks ordered. Besides, due to the incremental increase in shipping prices globally, it was difficult to arrange shipment of marble blocks from overseas at a reasonable price. As a result, revenue from the marble business for the Year has been negatively affected.

#### Trading of Commodities Business

During the Year, a new subsidiary was established to start the trading of coals in June 2022. The raw coal of the Group’s trading business was directly sourced from well-established coal producers in Inner Mongolia and sold to PRC customers whose businesses include trading or sales of commodities, import and export operations. The selling price of coal is sensitive to the market condition. During the Year, the trading volume was approximately 113,000 tons and revenue generated from this segment was approximately RMB56.32 million (FY2021: Nil).

#### Relationships with Customers, Suppliers, Contractors and Other Stakeholders

During the Year, there were no material and significant dispute between the Group and its key stakeholders, including employees, customers, suppliers, sub-contractors, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

### Environmental Policies

The Group places emphasis on environmental protection in the course of its operation. We have adopted and implemented various measures on an on-going basis to minimise the impact of our operation on the environment and comply with the relevant environmental protection laws and regulations. Such measures include, inter alia, (i) restoring the land damaged by our mining activities pursuant to the relevant land rehabilitation laws and regulations; (ii) using abandoned stones for the access road and transfer pad construction; (iii) reusing domestic wastes as fertiliser; (iv) collecting and treating waste water for recycling in production or for irrigation; (v) adopting wet drilling to reduce fugitive dust emission; and (vi) using low noise equipment to reduce noise emission.

### Compliance with Relevant Laws and Regulations

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

During the Year, the Group has complied with all applicable laws and regulations in Hong Kong and the PRC in all material aspects for the business operation of the Group. Besides, except for the mining permit which is under renewal procedures, the Group has also obtained all material approvals, permits and licences for its current business operations. For further details regarding the renewal of the mining permit, please refer to the sub-section headed "Business Outlook – Develop marble and marble-related business" under this section.

## MAJOR EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES

### Mineral Exploration

In order to renew the mining permit, we are required to carry out new exploration work on Yiduoyan Project during the Year. As a result, the Group has engaged Hubei Xiangdi Resources and Environment Co., Ltd.\* (湖北襄地資源環境有限公司) to undertake the marble mine resources verification work and an updated amount of resources in the mining area had been submitted to relevant PRC government authority for review. According to the letter issued by the Natural Resources and Planning Bureau of Xiangyang\* (襄陽市自然資源和規劃局) in June 2022, the amount of resources in the mining area are listed as below:

Minerals Type	Resource Statement as at end of March 2022		
	Category (Chinese Standard)	Volume (million cubic metres)	Note
Limestone for decoration use	332	10.262	Non-JORC Code
	333	6.425	Non-JORC Code
Limestone for construction use	332	7.603	Non-JORC Code
	333	6.602	Non-JORC Code
Total	332	17.865	Non-JORC Code
	333	13.027	Non-JORC Code

The Group will engage an independent professional party to prepare a resource reserve verification report in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). The marble resource statement will be updated once the mining permit is renewed by the Group and the marble resource reserve verification report in JORC standard is available.

\* For identification purposes only

## MANAGEMENT DISCUSSION AND ANALYSIS

### Development

During the Year, we provided all the staff of the production plant with training related to production safety and occupational health as well as work resumption training, and conducted assessment before work resumption. Those who failed in the assessment were retrained and were required to take the relevant examinations again. Moreover, all staff have undergone occupational health examination. As such, we further consummated the staff training and examination files and occupational health records. Besides, we required all staff to carry out self-examination and rectification on mining safety hazards every month, and carried out thorough inspection and maintenance for all production equipment to ensure that they operate safely during the production process. We also identified, assessed and eliminated potential risks of the mine from time to time.

For the Year, the Group recorded development expenditures of approximately RMB1.29 million with respect to the expansion of Yiduoyan marble mine. A detailed breakdown of the development expenditures is set out below:

	2022 RMB'000
Education and training for production safety	3.6
Forest lease payment	550
Greening costs for the mine	79.8
Health check	3.9
Labour protection supplies	5.6
Processing fee for abandoned stones	197.6
Production safety liability insurance	34.6
Production safety signs	2.5
Rental of production equipment and machinery	390
Repairs and maintenance of production equipment and machinery	3.0
Soil and water conservation compensation	19.5
Water resource fee	3.0
	<hr/>
Total	<u>1,293.1</u>

### Mining Operation

As at 31 December 2022, we had realised sales of 1,851 m<sup>3</sup> of marble blocks. Since the Group was required to carry out new exploration work for the purpose of renewing the mining permit during the Year, no excavation work was conducted during the Year and hence no marble block was produced. As a result, the expenditure of mining activities per cubic metre was Nil (FY2021: approximately RMB2,169 per m<sup>3</sup>).

## RESOURCE AND RESERVE

Our Yiduoyan Project is an open pit mine located in Hubei Province of the PRC. Currently, the mining permit of the Yiduoyan Project with permitted production capacity of 20,000 m<sup>3</sup> per annum, covering an area of approximately 0.5209 km<sup>2</sup>, has expired on 30 December 2021. The renewal of mining permit was still in process. Please refer to the sub-section headed “Business Outlook – Develop marble and marble-related business” under this section for further details of the renewal progress. The Yiduoyan Project contains marble resources with resource expansion potential through exploration according to the independent technical report dated 29 December 2014 (the “**Independent Technical Report**”) prepared by SRK Consulting (Hong Kong) Limited set out in Appendix IV to the prospectus of the Company dated 29 December 2014 (the “**Prospectus**”).

### Yiduoyan Project’s marble resource statement as at 31 December 2022

Resource Category	White marble V-1 (million m <sup>3</sup> )	Grey marble V-2 (million m <sup>3</sup> )	Total (million m <sup>3</sup> )
Inferred	1.80	1.50	3.30
Indicated	5.42	1.80	7.22
Total	<u>7.22</u>	<u>3.30</u>	<u>10.52</u>

### Yiduoyan Project’s marble reserve statement as at 31 December 2022

Reserve Category	White marble V-1 (million m <sup>3</sup> )	Grey marble V-2 (million m <sup>3</sup> )	Total (million m <sup>3</sup> )
Probable	<u>0.8</u>	<u>0.04</u>	<u>0.84</u>

Note:

- (1) The above table summarises the marble resource and reserve estimates prepared in accordance with JORC Code (2012 Edition) and are based on the Independent Technical Report.
- (2) There was no material change in these estimates during the period from 30 June 2014 to 31 December 2022.
- (3) Please refer to the Prospectus for the assumptions and methods used for making the above estimated resources and reserves.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the Year.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Group identified various principal risk factors and uncertainties that may affect our operating results and business prospects, including but not limited to the following:

Risk factors and uncertainties	Risk response
<p><b>Limited talents in mining industry</b></p> <p>The Yiduoyan Project is still in the development stage where full-scale site construction is currently taking place. The business growth of the Group is highly dependent on certain senior management members. Failure to retain the current key personnel and hire, train and retain senior executives may adversely affect the business and prospects of the Group.</p>	<p>The Group will actively recruit more talents who have professional knowledge or relevant experience in mining industry which can give recommendations to further develop and enhance the operation of Yiduoyan Project.</p>
<p><b>Single mining project</b></p> <p>We have only one mining project, the Yiduoyan Project. We expect the Yiduoyan Project will remain our only operating mine in the near future upon which we will depend on for the majority of our operating revenue and cash flows. The Yiduoyan Project is in the development stage where full-scale site construction is currently taking place, and its operations are subject to a number of operating risks and hazards as described below. As such, the Yiduoyan Project may not ultimately become profitable. If we fail to derive the expected economic benefits from the Yiduoyan Project due to any delay or difficulty in its development, the occurrence of any event that causes it to operate at less-than-optimal capacity or any other negative development as described below, our business, financial condition and results of operations could be materially and adversely affected.</p>	<p>Apart from Yiduoyan Project, the Group continues to seek for other investment or business opportunities to broaden its income source and to further develop its business.</p>
<p><b>Single marble product</b></p> <p>The business and profitability of the Group depend on the customers' preferences, demand and supply on different types of marble blocks. Any adverse changes in market demand, customer preferences or market prices, and excess supply may have a material and adverse impact on the operating results of the Group.</p>	<p>The Group closely monitors the changes in the mining and construction industry.</p> <p>Besides, the board of directors will continue to look for other profitable mining projects to expand the group's sources of income and further develop its business.</p>

Risk factors and uncertainties	Risk response
<p><b>Operating risks and hazards</b></p> <p>Our mining operations are subject to a number of operating risks and hazards, some of which are beyond our control. These operating risks and hazards include: (i) unexpected maintenance or technical problems; (ii) interruptions of our mining operations due to unfavourable weather conditions and natural disasters (such as earthquakes, floods and landslides); (iii) accidents; (iv) unexpected outbreak of epidemic diseases; (v) electricity or water supplies interruptions; (vi) critical equipment failures in our mining operations; and (vii) unusual or unexpected variations in the mine and geological or mining conditions, such as instability of the slopes and subsidence of the working areas. These risks and hazards may result in personal injury, damage to, or destruction of production facilities, environmental damages and could temporarily disrupt our operations and damage our business reputation.</p> <p>Any disruption for a prolonged period to the operations of our mine or production facilities may have a material adverse effect on our business, financial condition and results of operations.</p>	<p>The Group will continue to manage the cost carefully and optimise the resources utilisation. In addition to the Yiduoyan Project in Hubei Province, the Group will try its best to diversify its trading business in other regions of the PRC in the future. If one of the cities in the PRC is being locked down, the business located at other cities can still be operated as usual to minimise the adverse impact on operations and financial conditions of the Group.</p>
<p><b>Delay in the renewal of the mining permit</b></p> <p>Due to the continuous effect of the COVID-19 pandemic during the Year, the renewal progress of the mining permit was delayed. The Company is not able to complete the renewal procedures up to the date of this annual report.</p>	<p>The Directors have been actively discussing and negotiating with the PRC government, hoping to complete the renewal procedures by the second quarter of 2023.</p>
<p><b>Debt crisis in real estate and construction industry of the PRC</b></p> <p>The debt crisis encountered by some of the PRC property developers have affected the overall market conditions and the sentiment of the real estate and construction industry. Some of these PRC property developers (who are customers of the Group's marble business) requested to delay the orders and reduce the volume of marble block ordered. There may even be delays in payment and lead to a higher risk of default.</p>	<p>The Group will (1) diversify the risk by developing coal trading business to offset the temporary impact of the marble block segment; and (2) minimise the risk of bad debts by receiving the full payment from customers in advance before the delivery of the goods.</p>

For more details about the general risks and uncertainties facing the Group, please refer to the Prospectus.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FUTURE PROSPECTS

Our objective is to become a well-known supplier of marble blocks in the PRC. We plan to accomplish this goal by pursuing the following strategies: (i) develop the Yiduoyan Project; (ii) develop product recognition; (iii) expand our resources and reserve through further and selective acquisition; (iv) expand marble trading business to cope with customers' needs; and (v) develop our commodity trading business.

### BUSINESS OUTLOOK

#### Develop marble and marble-related business

The fluctuation in real estate and construction market may continue to affect the marble business in the first half of the 2023. However, the Group remained cautiously optimistic about the future prospects of its marble business. The Group is actively exploring new customers by different ways including through the network of our senior management, as well as through our sales teams in Beijing and Xiamen. We expect the current decline in the marble business to be temporary and that our business will have a stable growth in the coming years.

In June 2020 and June 2021, the Group submitted applications to the Natural Resources and Planning of Nanzhang County Bureau\* (南漳縣自然資源和規劃局) (the "**Bureau**") for (i) enhancing the annual production capacity of the Yiduoyan Project to 200,000 cubic metres per annum; and (ii) renewing the mining permit. As announced by the Company on 31 December 2021, on 17 December 2021, the Bureau issued a letter to the Company regarding the renewal status of the mining permit (the "**Letter**"). As stated in the Letter, the Bureau has accepted the application for renewal of the mining permit. However, due to the impact of the ongoing COVID-19 pandemic, the relevant government departments and third-party evaluation agencies failed to issue the relevant reports required for purpose of processing the renewal on time. As a result, the Bureau was unable to complete the renewal procedures and issue the renewed mining permit within the statutory time limit. The Bureau stated in the Letter that the relevant government departments were accelerating the renewal process. During the renewal period of the mining permit, normal business activities of Xiangyang Future Bright Mining Limited\* (襄陽高鵬礦業有限公司) ("**XYFB**"), an indirect wholly-owned subsidiary of the Company and the holder of the mining permit, can be continued in accordance with the law of the PRC.

On 29 January 2022, the Group has engaged Hubei Xiangdi Resources and Environment Co., Ltd. to undertake the marble mine resources verification work and an updated amount of resources in the mining area had been submitted to relevant PRC government authority for review. On 25 July 2022, the Bureau published a PRC assessment report of the Yiduoyan Project for public inspection for ten days. During the publication period, there was no dissent received from the public on the PRC assessment report. According to the PRC assessment report, the additional resources fee is approximately RMB98.7 million. A meeting was originally scheduled by the government of Nanzhang County in August 2022 to consider and approve, among other matters, the renewal of the mining permit of the Group. However, due to the sporadic cases of COVID-19 in the Nanzhang County in the second half of 2022, the meeting was further delayed. After the local lockdown, a meeting was held by the PRC government on 2 September 2022. The Nanzhang County Natural Resources Management Committee\* (南漳縣自然資源管理委員會) agreed in principle for the renewal of the mining permit during the meeting and further administrative procedures were required to complete the renewal process. Unfortunately, due to the spread of the new wave of COVID-19 pandemic in the fourth quarter of the Year, the renewal procedure was once again affected. Up to the date of this report, the renewal of the mining permit was still in process. Based on our ongoing discussion with the relevant authority, the renewal procedure is expected to be completed by 31 May 2023. The renewal status will be updated and announced by the Company as appropriate.

Besides, we will increase product varieties and recognition through industry exchanges. We have and will continue to identify new suppliers of marble and marble-related business for sourcing of different kind of marble block to cope with our customers' needs. As part of our future plans for acquisitive growth, we plan to continue to carefully identify and evaluate selective acquisition opportunities.

\* For identification purposes only

### **Develop the commodities trading business**

We believe that continued development of the commodities trading business will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance. With the new trading contracts on hand, it is expected that the source of revenue of the Group will be diversified in the coming years.

Other than trading of coals, we will continue to look for other attractive business opportunities whenever the same arises.

### **SEGMENT INFORMATION**

Particulars of the Group's segment information are set out in note 4 to the financial statements of this report.

### **LIQUIDITY, CAPITAL RESOURCES AND GEARING RATIO**

During the Year, the Group's liquidity funds were primarily used to invest in the development of our mine and for its operations and such funds were funded by a combination of capital contribution by shareholders, short-term borrowings from independent third party as well as cash generated from operation.

As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB31.22 million which were denominated in Hong Kong dollars and Renminbi (as at 31 December 2021: approximately RMB25.99 million).

The Group had short-term borrowings as at 31 December 2022. The gearing ratio (defined as long term debt divided by total shareholder's equity) is not applicable. The current ratio of the Group as at 31 December 2022 was approximately 1.93 times as compared to 5.19 times as at 31 December 2021, based on current assets of approximately RMB35.72 million (as at 31 December 2021: approximately RMB33.25 million) and current liabilities of approximately RMB18.53 million (as at 31 December 2021: approximately RMB6.41 million).

### **CAPITAL STRUCTURE**

On 31 August 2022, the Company held an extraordinary general meeting ("EGM") and an ordinary resolution was passed, approving the consolidation of every five issued and unissued ordinary shares of par value of HK\$0.001 each in the share capital of the Company into one consolidated share of par value of HK\$0.005 each in the share capital of the Company. The share consolidation became effective on 2 September 2022. For details of the share consolidation, please refer to the announcements of the Company dated 29 July 2022 and 1 September 2022 and the circular of the Company dated 12 August 2022.

### **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2022, the Group employed a total of 39 full time employees (as at 31 December 2021: 22 employees) who were located in Hong Kong and the PRC. Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include basic salaries and other employees' benefits including contributions to statutory mandatory provident funds for our Hong Kong employees, and social insurance together with housing provident funds for our PRC employees. Besides, the Group also provides medical benefits and subsidies employees in various training and continuous education programmes.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save and except those disclosed in note 30 to the consolidated financial statements, the Group did not have any capital commitments and contingent liabilities as at 31 December 2022.

### CHARGES OVER THE GROUP'S ASSETS

There were no charges over the Group's assets as at 31 December 2022.

### SIGNIFICANT INVESTMENTS

The Group had no material securities investments during the Year.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, there was no specific plan for material investments or capital asset as at 31 December 2022.

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB"). During the Year, the Group did not use financial instruments for hedging purposes. The Group will continue to monitor the related foreign currency exposure and take necessary procedures to reduce the currency risks arising from the fluctuations in exchange rates at reasonable costs.

### OTHER MATTERS

During the course of the audit for the Year, it has come to the Company's attention that the Beijing branch of Shengjing Bank Co., Ltd.\* (盛京銀行股份有限公司北京分行) (the "Bank") has, on 20 May 2022, applied and obtained an order from the Security Bureau in Faku County, Shenyang, the PRC (瀋陽市法庫縣公安局) to freeze the registered capital in the amount of RMB10 million (the "Subject Registered Capital") of XYFB (representing approximately 50% of the registered capital of XYFB) held by Future Bright (H.K.) Investment Limited ("FBHK") (the "Order"). Both XYFB and FBHK are wholly-owned subsidiaries of the Company. Under the Order, no transfer of the Subject Registered Capital is allowed.

Based on subsequent enquiries made by the Company, the Order was made in relation to a loan dispute (the "Loan Dispute") involving Mr. Li Yuguo ("Mr. Li"), an executive Director and a controlling shareholder of the Company, and the Bank.

As advised by the PRC legal advisers to the Company, there is currently nothing to indicate that XYFB or FBHK (i) is involved in or otherwise connected with the Loan Dispute; and (ii) has provided any form of guarantee, security or assets pledge to the Bank in relation to the Loan Dispute. Based on the information currently available, the PRC legal advisers are of the view that the Order does not have any direct impact on the normal business operations of the Group.

The Company has been closely following up with Mr. Li on the above with a view of discharging the Order and will seek appropriate legal advice where necessary. The Directors confirm that, to the best of their knowledge and information having made all reasonable enquiries, the Group has not provided any form of guarantee, security or assets pledge to the Bank in relation to the Loan Dispute. As at the date of this report, the Directors are of the view that the Order did not have any material impact on the Group's operations. The Company will closely monitor any development and announce any updates once available.

\* For identification purposes only

# CORPORATE GOVERNANCE REPORT

Sound corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, and can protect the rights and enhance the value to shareholders. The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and accountability to our shareholders. This corporate governance report is prepared in compliance with the reporting requirements as contained in Appendix 14 of the Listing Rules.

Key corporate governance practices and activities for the Year are highlighted in this report. Discussions on the Company's environmental policies/performance and our relationship with key stakeholders are covered by a separate Environmental, Social and Governance Report which will be disclosed separately on the websites of the Company and the Stock Exchange by 30 April 2023.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and to enhance the corporate value, accountability and transparency of the Company. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Listing Rules. Except for the deviations of the CG Code as explained below, the Company had complied with the applicable code provisions of the CG Code during the Year. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of its business.

Under code provision C.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. The office of the chairman was vacated since March 2020. The Company intends to appoint a suitable candidate internally for the position as the chairman of the Board and such internal selection process is still ongoing as at the date of this report. The Company will comply with this Code Provision after the appointment of the chairman.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the code of conduct with respect to the dealings in securities of the Company by the Directors as set out in Appendix 10 to the Listing Rules (the "**Model Code**").

Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code during the Year.

### BOARD OF DIRECTORS

#### Function

The Board is responsible for formulation and approval of the Group's overall development and business strategies, key operational proposals, financial control procedures, material acquisition and disposal of investments, major funding decisions, financial announcements and reporting, share issuance and repurchase, nomination of Directors, appointment and remuneration of key management personnel, related party transactions, ensuring human and financial resources are appropriately applied, the periodic evaluation of the performance for the achievement of results and monitoring of significant transactions to ensure they are conducted in accordance with the articles of association of the Company (the "**Articles**"), the Listing Rules and other applicable laws and regulations.

The executive Directors are responsible for the day-to-day management of the Group's operations. These executive Directors conduct regular meetings with the senior management of the Group, at which operational issues and financial performance of the Group are evaluated.

The Articles contain description of responsibilities and operation procedures of the Board. The Board holds regular meetings to discuss and consider significant matters relating to existing operations and proposals of new operations and projects.

The vice chairman of the Board and the executive Directors ensure that Board meetings are held whenever necessary. Though the company secretary is responsible for setting the Board meeting's agenda, all Board members are encouraged to participate to include matters in the agenda. The Board conducts meetings on a regular basis and extra meetings are convened when circumstances require. The Articles allow a Board meeting to be conducted by way of a tele-conference.

No corporate governance committee has been established and the Board recognises that corporate governance should be the collective responsibility of the Directors which includes:

- (a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors;
- (d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on related matters; and
- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

### Responsibilities and Delegation by the Board

The overall management of the Group's operation is rested in the Board. Their responsibilities include, among other things, (1) convening regular Board meetings focusing on business strategy, operational issues and financial performance of the Group; (2) monitoring the quality, timeliness, relevance and reliability of internal and external reporting of the Group; (3) monitoring and managing potential conflicts of interest of management, Board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and (4) ensuring processes are in place to maintain the overall integrity of the Group, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all applicable laws and regulations.

Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

### Composition

During the Year and as of the date of this report, the composition of the Board is set out as follow:

Board Members	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Li Yuguo <i>(Resigned as chief executive officer on 23 May 2022)</i>	Executive Director			
Mr. Liu Jiang <i>(Resigned on 23 May 2022)</i>	Executive Director			
Mr. Liu Yan Chee James	Executive Director			
Mr. Lyu Bin	Executive Director			
Ms. Wang Ruoxi	Executive Director			
Mr. Yang Jiantong <i>(Appointed on 23 May 2022)</i>	Executive Director		Member	Member
Mr. Yang Xiaoqiang	Vice Chairman and Executive Director			
Mr. Chen Xun <i>(Resigned on 23 May 2022)</i>	Independent Non-Executive Director	Former Member	Former Chairman	Former Chairman
Prof. Lau Chi Pang J.P.	Independent Non-Executive Director	Member	Member	Member
Ms. Liu Shuyan	Independent Non-Executive Director	Chairperson	Member	Member
Mr. Wang Xiaolong <i>(Appointed on 23 May 2022)</i>	Independent Non-Executive Director	Member	Chairman	Chairman
Mr. Zhang Yijun	Independent Non-Executive Director	Member	Member	Member

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of professional ethics and integrity. The biographical details of each Director are disclosed on pages 41 to 44 of this annual report. Save as disclosed therein, there are no financial, business, family or other material or relevant relationships among members of the Board.

## CORPORATE GOVERNANCE REPORT

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

Each independent non-executive Director has provided a written annual confirmation of his independence with reference to the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company also considers that they are independent within the meaning of the Listing Rules.

The term of office of each of the independent non-executive Directors is for a term of three years unless terminated by either party giving at least one month's notice in writing or equivalent payment in lieu. All of them are subject to retirement by rotation and re-election at an annual general meeting ("**AGM**") at least once every three years.

During the Year, no chairman was appointed. Mr. Yang Xiaoqiang was the vice chairman of the Board. He was responsible to carry out additional monitoring duties in the absence of the chairman and support the deliberations of the Board to ensure that the Board can fulfil its duties and conduct its work and affairs effectively and efficiently. Mr. Li Yuguo was the chief executive officer of the Company until 23 May 2022 and thereafter Mr. Bao Xuefeng was appointed as the chief executive officer of the Company to oversee the business of the Group and executing decisions of the Board.

### Meetings

Details of Directors' attendance records at the Board meetings and general meetings of the Company for the Year are set out below:

Board Members	Number of Meetings Attended/ Eligible to Attend		
	Board Meetings	AGM	EGM
<b>Executive Directors</b>			
Li Yuguo	5/7	1/1	0/1
Liu Jiang ( <i>Resigned with effect from 23 May 2022</i> )	0/3	0/1	N/A
Liu Yan Chee James	1/7	1/1	0/1
Lyu Bin	7/7	1/1	1/1
Wang Ruoxi	7/7	1/1	1/1
Yang Jiantong ( <i>Appointed on 23 May 2022</i> )	4/4	N/A	1/1
Yang Xiaoqiang	7/7	1/1	1/1
<b>Independent Non-executive Directors</b>			
Chen Xun ( <i>Resigned with effect from 23 May 2022</i> )	2/3	1/1	N/A
Prof. Lau Chi Pang J.P.	7/7	1/1	1/1
Liu Shuyan	7/7	1/1	1/1
Wang Xiaolong ( <i>Appointed on 23 May 2022</i> )	4/4	N/A	1/1
Zhang Yijun	7/7	1/1	1/1

### Continuous Professional Development of the Directors

During the Year, all the Directors have been kept abreast of their responsibilities as a Director and of the conduct, business activities and development of the Group.

Under code provision C.1.4 of the CG Code, all Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses and are requested to provide their respective training record.

The individual training record of each Director received for the Year is summarised below:

Board Members	Attending seminar(s)/ programme(s)/conference(s) relevant to the business or directors' duties	Self-reading
<b>Executive Directors</b>		
Li Yuguo	✓	✓
Liu Jiang ( <i>Resigned with effect from 23 May 2022</i> )		
Liu Yan Chee James	✓	✓
Lyu Bin	✓	✓
Wang Ruoxi		✓
Yang Jiantong ( <i>Appointed on 23 May 2022</i> )	✓	✓
Yang Xiaoqiang		✓
<b>Independent Non-executive Directors</b>		
Chen Xun ( <i>Resigned with effect from 23 May 2022</i> )		
Prof. Lau Chi Pang J.P.	✓	✓
Liu Shuyan	✓	✓
Wang Xiaolong ( <i>Appointed on 23 May 2022</i> )	✓	✓
Zhang Yijun	✓	✓

### Director's Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and to ensure that the financial statements of the Group will give a true and fair view of the Group's state of affairs, results and cash flow and are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group. In preparing the financial statements of the Group for the Year, the Directors have, among other things:

- selected suitable accounting policies and applied them consistently;
- approved adoption of all Hong Kong Financial Reporting Standards which are in conformity with the International Financial Reporting Standards; and
- made judgments and estimates that are prudent and reasonable; and have prepared the consolidated financial statements on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

### BOARD COMMITTEES

The Board has established three Board committees, namely audit committee, remuneration committee and nomination committee to oversee particular aspects of the Company's affairs and to assist in sharing the Board's responsibilities. All the Board committees have clear written terms of reference and is required to report to the Board regularly on their decisions and recommendations. The day-to-day operation of the Group, including implementation of the strategies and plans adopted by the Board and its committees, is delegated to the management with divisional heads responsible for different aspects of the business.

#### Audit Committee

The Company has established an audit committee in compliance with the Listing Rules. The audit committee of the Board (the "**Audit Committee**") consists of all the independent non-executive Directors, namely Ms. Liu Shuyan, Prof. Lau Chi Pang J.P., Mr. Wang Xiaolong and Mr. Zhang Yijun. It is chaired by Ms. Liu Shuyan.

The Audit Committee reports directly to the Board and reviews the matters relating to the relationship with the external auditors, financial information of the Company, financial reporting system, risk management and internal control systems. The Audit Committee meets with the Company's external auditors to ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

The Audit Committee held three meetings during the Year. The individual attendance of each member is as follows:

<b>Committee Members</b>	<b>Number of Meetings Attended/ Eligible to Attend</b>
Liu Shuyan ( <i>Chairperson</i> )	3/3
Chen Xun ( <i>Ceased on 23 May 2022</i> )	2/2
Prof. Lau Chi Pang J.P.	3/3
Wang Xiaolong ( <i>Appointed on 23 May 2022</i> )	1/1
Zhang Yijun	3/3

The members of the Audit Committee have full access to and co-operation from the management of the Group and they have full discretion to invite any Director or executive to attend the meeting. The Audit Committee had performed, among other things, the following functions during the Year: (1) reviewed external auditors' audit report and matters incidental thereto; (2) discussed the internal control system and risk management of the Company; (3) reviewed the periodic financial statements of the Company and made recommendation to the Board for approval; and (4) discussed the proposed appointment of the external auditors and made recommendation to the Board.

Subsequent to the Year and up to the date of this report, the Audit Committee had, among other things, reviewed the audited results of the Group for the Year and this report.

### Remuneration Committee

The remuneration committee of the Board (the “**Remuneration Committee**”) consists of four independent non-executive Directors and one executive Director, namely Mr. Wang Xiaolong, Prof. Lau Chi Pang J.P., Ms. Liu Shuyan, Mr. Yang Jiantong and Mr. Zhang Yijun. It is chaired by Mr. Wang Xiaolong.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company’s policy and structure for remuneration of the Directors and senior management, to determine remuneration packages of all executive Directors and senior management including benefits in kind, pension rights and compensation payments. The Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management.

The Remuneration Committee held two meetings during the Year. The individual attendance of each member is as follows:

<b>Committee Members</b>	<b>Number of Meetings Attended/ Eligible to Attend</b>
Wang Xiaolong ( <i>Chairman</i> ) ( <i>Appointed on 23 May 2022</i> )	N/A
Chen Xun ( <i>Former Chairman</i> ) ( <i>Ceased on 23 May 2022</i> )	1/2
Prof. Lau Chi Pang J.P.	2/2
Liu Shuyan	2/2
Yang Jiantong ( <i>Appointed on 23 May 2022</i> )	N/A
Zhang Yijun	2/2

At the meetings held during the Year, the Remuneration Committee has, amongst others, reviewed the structure of remuneration for the Directors and the senior management of the Company and assessed their performance, and reviewed the terms of the Directors’ service contracts, and made recommendations to the Board on related matters. The Remuneration Committee considers that the existing terms of the service contracts of the executive Directors and independent non-executive Directors are fair and reasonable. Details of the remuneration policy of the Directors are set out on page 39 of this annual report.

### Nomination Committee

The nomination committee of the Board (the “**Nomination Committee**”) consists of four independent non-executive Directors and one executive Director, namely Mr. Wang Xiaolong, Prof. Lau Chi Pang J.P., Ms. Liu Shuyan, Mr. Yang Jiantong and Mr. Zhang Yijun. It is chaired by Mr. Wang Xiaolong.

The Nomination Committee is responsible for, among other things, the nomination of the Directors, reviewing the structure of the Board, number of Directors and the composition of the Board and the Company’s Board diversity policy. To maintain high quality of the Board with a balance of skill and experience, the Nomination Committee will identify individuals who fulfill the designated criteria of the Company. When assessing the quality of the individual, the Nomination Committee makes reference to his experience, qualification, integrity and other relevant factors.

## CORPORATE GOVERNANCE REPORT

The Nomination Committee held two meetings during the Year. The individual attendance of each member is as follows:

<b>Committee Members</b>	<b>Number of Meetings Attended/ Eligible to Attend</b>
Wang Xiaolong ( <i>Chairman</i> ) ( <i>Appointed on 23 May 2022</i> )	N/A
Chen Xun ( <i>Former Chairman</i> ) ( <i>Ceased on 23 May 2022</i> )	1/2
Prof. Lau Chi Pang J.P.	2/2
Liu Shuyan	2/2
Yang Jiantong ( <i>Appointed on 23 May 2022</i> )	N/A
Zhang Yijun	2/2

At the meetings held during the Year, the Nomination Committee had, among other things: (1) reviewed the structure, size and composition of the Board; (2) reviewed the Company's Board diversity policy; (3) discussed the casual vacancies arising from resignation of Directors identified and reviewed the individuals nominated for directorship, based on the nomination policy of the Company, and made recommendation to the Board during the Year; (4) assessed the independence of independent non-executive Directors; and (5) evaluated the performance of the retiring Directors at the general meeting(s) and recommended the retiring Directors for re-election to Board.

During the Year, in proposing Mr. Yang Jiantong and Mr. Wang Xiaolong to be the Directors of the Company, the Nomination Committee has assessed the suitability of the candidate by considering their reputation for integrity, valuable working experience, knowledge, professionalism and commitment of the candidate to devote sufficient time and interest to carry out his duties. Based on the board diversity policy adopted by the Company, the Nomination Committee has also considered each of proposed candidates above would bring to the Board a diversity of perspectives, including but not be limited to the gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service. In addition, the Nomination Committee also assessed and affirmed the independence of Mr. Wang Xiaolong based on the independence criteria as set out in the Listing Rules.

### **Board Diversity Policy**

The Board has adopted a Board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

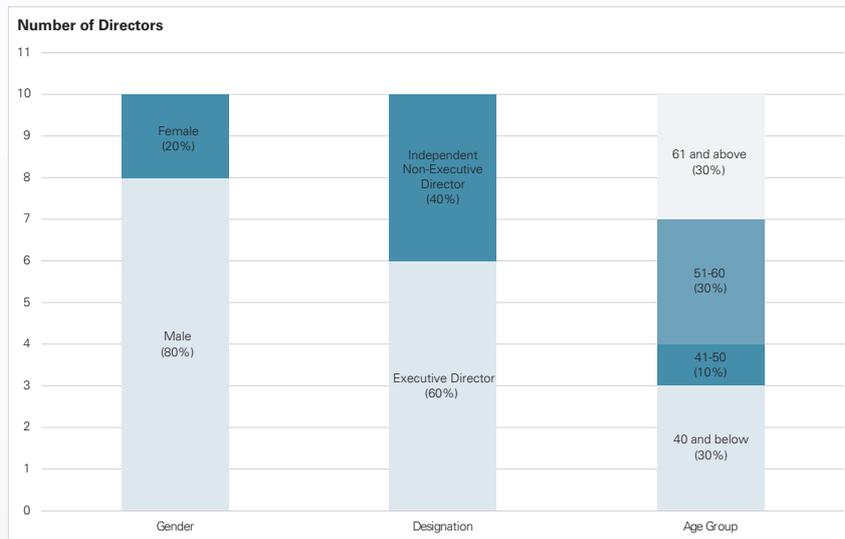
The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Selection of candidates will be based on a range of diversity perspectives as stated above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee monitors the implementation of the Board diversity policy, reviews the Board diversity policy as and when appropriate and recommends any revisions for the Board's approval to ensure its effectiveness.

As at the date of this report, the Board comprises ten Directors. Four of the Directors are independent non-executive Directors and independent of the management of the Group, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, in terms of professional background or skills.

The following chart shows the diversity profile of the Board as at 31 December 2022:



The Board will perform annual review of the Board diversity policy for ensuring its constant effectiveness, monitor the implementation of Board diversity policy and report its details in the corporate governance report annually.

**Nomination Policy**

The company secretary of the Company shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members. The factors which would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate for Director include, inter alia, reputation for integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company’s business and corporate strategy, willingness to devote adequate time to discharge duties as Board member, diversity of the Board, and such other perspectives appropriate to the Company’s business. The Nomination Committee shall make recommendations for the Board’s consideration and approval.

### DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the financial statements and to ensure that the financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required under the Listing Rules. The statement of the external auditors of the Company, Messrs. Lau & Au Yeung C.P.A. Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 45 to 51 of this annual report.

### REMUNERATION OF EXTERNAL AUDITORS

During the Year, remuneration paid or payable to the Company's auditors, Messrs Lau & Au Yeung C.P.A. Limited, was as follows:

<b>Services rendered:</b>	<b>RMB'000</b>
— audit services	941
— non-audit service	N/A

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the auditors during the Year.

### INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining adequate system of internal controls and risk management within the Group and for reviewing their effectiveness. The systems of internal controls and risk management are designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. They are also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimise risks of failure in operation systems. The Company is committed to implementing a stricter and more regulated internal control and risk management procedures in the new financial year.

The risk management and internal control system are reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present risk management and internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

During the Year, the Group did not have an internal audit function but has engaged an external professional firm to conduct the annual review of the risk management and internal control systems. The review has covered financial, operational and compliance control on a cyclical basis and some recommendations were provided in the internal control review report. All recommendations are properly followed up by the Group. Therefore, the Board considered that the risk management and internal control systems are effective and adequate.

## INSIDE INFORMATION

The Board is responsible for ensuring the Group's compliance with its disclosure obligations regarding inside information, and has appointed a disclosure group with specific designated duties to assist it in, among other things, overseeing and coordinating the disclosure of inside information. The procedures and internal controls for the handling and dissemination of inside information are given in a policy (the "**PSI Policy**") that was adopted by the Company to ensure that it is able to meet relevant obligations under Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**"). The PSI Policy applies to all directors, officers and employees of the Group.

Under the PSI Policy, the Company must disclose inside information to the public by way of an announcement as soon as reasonably practicable unless the information falls within any of the safe harbours as stipulated under the SFO. Any director, officer or employee who becomes aware of any matter, development or event that he or she considers to be, or potentially to be, inside information shall report it promptly to the disclosure group. Before the relevant information is fully disclosed to the public, the disclosure group should take reasonable precautions to ensure that the information is kept strictly confidential. Where it is believed that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the information should be disclosed immediately to the public. If the disclosure group needs time to clarify the details of, and the impact arising from, an event or a set of circumstances before it is in a position to issue a full announcement to properly inform the public, the disclosure group should consider issuing a "holding announcement" which details as much ascertainable information of the subject matter as possible and sets out the reasons why a full announcement cannot be made. Following a holding announcement, the disclosure group should ensure that a full announcement is made as soon as reasonably practicable. In the event that confidentiality has not been maintained and it is not able to make a full announcement or a holding announcement, the disclosure group should consider applying for a trading halt in the Company's securities, subject to approval of the Board, until disclosure can be made. All inside information announcements must be properly approved by the Board before publication, and all unpublished inside information must be kept in strict confidence until a formal announcement is made. The disclosure group must further ensure that access to unpublished inside information is given only to employees on a "need-to-know" basis for discharging their duties. Apart from reporting to the disclosure group, every director, officer or employee who possesses or has been given access to unpublished inside information must not disclose, discuss or share such information to or with any other parties within or outside the Group. The PSI Policy also sets out the criteria for advance disclosure of inside information to certain categories of people as may be necessary in the circumstances. In this case, the disclosure group should monitor the situation so that disclosure may be made as soon as reasonably practicable if there is any leakage of information. Directors, officers and employees must refrain from dealing in the shares of the Company at any time when they are in possession of unpublished inside information. Securities dealings are governed by securities codes applicable to relevant employees and directors.

## SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration of the Group for the Year falls within the following bands:

	Number of individuals
HK\$ Nil to HK\$1,000,000	3
HK\$1,000,001 to HK\$1,500,000	1
	<hr style="border-top: 1px solid black;"/>
	<b>4</b>

### COMPANY SECRETARY

Mr. Wu Ho Wai is the company secretary of the Company. During the Year, Mr. Wu had taken no less than 15 hours of relevant professional trainings to update his skill and knowledge as required under the Listing Rules. Please refer to the section headed “Biographical Details of Directors and Senior Management” of this report for his biographical information.

### COMMUNICATIONS WITH SHAREHOLDERS

The objective of shareholders’ communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

In order to promote effective communication, the Company adopts a shareholders’ communication policy which aims at establishing a two-way relationship and communication between the Company and the shareholders. The Company uses various communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meetings, annual and interim reports, various notices, announcements, circulars and electronic means of communication via the Company’s website and the Stock Exchange.

The annual general meetings provide a useful forum for shareholders to exchange views with the Board. The Directors, Board committees’ chairman or members and external auditors, where appropriate, are available to answer questions at the meetings.

To safeguard shareholders’ interests and rights, separate resolutions are proposed at shareholders’ meetings on each substantial issue, including the election of individual directors, for shareholders’ consideration and voting. Besides, pursuant to the Articles, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may request the Company to convene an EGM by sending a written requisition to the Board or the company secretary of the Company. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may convene a meeting in accordance with the Articles.

After reviewing the shareholders’ communication policy, the Company is of the view that such policy has effectively promoted sound communication between the Company and the shareholders.

If any shareholder wishes to nominate a person to stand for election as a Director at general meeting, the following documents must be validly served on the Company's principal place of business in Hong Kong (Unit 3603, 36/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong) or to the branch share registrar of the Company (Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong), provided that the minimum length of the period, during which such documents are given, shall be at least seven days and that (if such documents are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such documents shall commence on the day after the despatch of the notice of a general meeting appointed for election of director and end no later than seven days prior to the date of such meeting:

- (i) notice in writing signed by the shareholder of his/her intention to propose such person for election (the "**Nominated Candidate**");
- (ii) notice in writing signed by the Nominated Candidate of his/her willingness to be elected; and
- (iii) the biographical details of the Nominated Candidate as required under Rule 13.51(2) of the Listing Rules for publication by the Company.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

Address: Unit 3603, 36/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central,  
Sheung Wan, Hong Kong (For the attention of the Company Secretary)  
Fax: 852-2989 2212  
Email: [contact@fbmining.com](mailto:contact@fbmining.com)

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by the applicable laws and regulations.

An up-to-date version of the Articles is available on the Company's website and the Stock Exchange's website.

Shareholders may refer to the Articles for further details of their rights. The poll results will be posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.futurebrightltd.com](http://www.futurebrightltd.com)) after the relevant general meetings.

### CONSTITUTIONAL DOCUMENTS

Pursuant to the written resolutions of the shareholders of the Company passed on 8 December 2014, the Articles were approved and adopted. Since the date of listing of the shares of the Company (being 9 January 2015) and up to the date of this report, no change has been made to the Articles and the memorandum of association of the Company.

# REPORT OF THE DIRECTORS

The Directors are pleased to present this report and the audited consolidated financial statements for the Year.

## PRINCIPAL ACTIVITIES

The Company is a marble mining company and it acts as an investment holding company. The Group has been focusing on developing the Yiduoyan Project, which is an open pit mine located in Hubei Province of the PRC, and commodities trading. The principal activities and other particulars of its subsidiaries are set out in note 1 to the audited consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of affairs of the Group as at 31 December 2022 are set out in the audited consolidated financial statements on pages 52 to 123 of this annual report.

## DIVIDEND POLICY

The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash or shares. Any distribution of dividends shall be in accordance with the Articles and the distribution shall achieve continuity, stability and sustainability.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's earnings per share, the reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the Group in their long-term development, the financial conditions and business plan of the Group, and the market sentiment and circumstances.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

The Directors do not recommend the payment of a final dividend for the Year.

**KEY PERFORMANCE INDICATORS (“KPIs”) WITH THE STRATEGY OF THE GROUP**

The Group sets a number of KPIs to support the delivery of its strategies with its performance as below:

Strategy	KPIs	Performance
Maximise value for its shareholders	Gross profit margin = 13.42% (2021: 14.31%)  Return on equity = -17.67% (2021: -4.66%)	During the Year, the change in gross profit margin was mainly due to the increase of the average selling price and decrease of processing fee for abandoned stones accumulated from previous years. However, the increase of the gross profit margin of the marble block segment was partially offset by the lower profit margin of the commodity trading segment.
Enhance customers satisfaction and maintain quality control	Number of complaint from customers = 0 (2021: 0)	The Group has established its quality control team. The Group targets to maintain its zero customer complaint record.
Improve the Group’s liquidity	Financing activity cash inflow = RMB5,276,000 (2021: outflow RMB1,139,000)  Cash and bank balances = RMB31,223,000 (as at 31 December 2021: RMB25,989,000)	The Group has maintained its normal financial position for the Year. The Group targets to maintain its cash position to a higher security level.
Strive for the “Zero Harm” safety goal	Number of occupational injury = 0 (2021: 0)	The Group has developed and implemented a system to monitor and record employee occupational safety statistics and provided training on production safety for its mining staff.

## USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE

### Placing of new shares on 16 February 2017

The net proceeds from the placing of new shares under general mandate on 16 February 2017, after deducting the commissions and other fees and expenses in relation to the placing, amounted to approximately HK\$34 million (equivalent to approximately RMB30 million).

Up to 31 December 2022, the Group had used the net proceeds as follows:

	Original allocation of net proceeds			Utilisation up to 31 December 2022		Remaining balance of net Proceeds as at 31 December 2022	
	HK\$'million	RMB Equivalent 'million	% of Net Proceeds	HK\$'million	RMB Equivalent 'million	HK\$'million	RMB Equivalent 'million
Building a processing plant to produce slabs	24	21	70.59%	1	0.88	23	20.12
General working capital of the Group	10	9	29.41%	10	9	—	—
<b>Total</b>	<b>34</b>	<b>30</b>	<b>100.00%</b>	<b>11</b>	<b>9.88</b>	<b>23</b>	<b>20.12</b>

In relation to the plan for the construction of a processing plant, the Group plans to construct such processing plant in the stone industry park\* (石材產業園) invested by the Nanzhang People's Government\* (南漳縣人民政府) of the PRC. As at the date of this report, the Group is arranging for the relevant procedures with the government authority for the construction plan, and the land parcel on which the processing plant is to be built is undergoing infrastructure constructions (including ground leveling and access to water, electricity, telecommunication, road and sewage) (commonly known as 五通一平). Due to the COVID-19 pandemic, the progress was further delayed. According to the existing plan of the Group, the Group intends to use the remaining proceeds of approximately HK\$23 million for the construction of the processing plant before 31 December 2023. Nevertheless, the construction of the processing plant is subject to both approval of the relevant governmental authority and the grant of the land use rights.

In view of the aforesaid development, up to 31 December 2022, the utilised net proceeds were approximately HK\$11 million and the remaining proceeds as at 31 December 2022 were approximately HK\$23 million.

The land for the construction of the processing plant (the “**Subject Land Parcel**”) is expected to be available in first half of 2023. The remaining proceeds was placed in licensed bank, the Group intends to use the remaining proceeds of approximately HK\$23 million for the construction of a processing plant as originally planned and according to the schedule as discussed above.

	Net proceeds utilised for the Year	
	HK\$'million	RMB Equivalent 'million
Building a processing plant to produce slabs	—	—

### Placing of new shares on 16 December 2020

The net proceeds from the placing of new shares under general mandate on 16 December 2020, after deducting the commissions and other fees and expenses in relation to the placing, amounted to approximately HK\$14.2 million (equivalent to approximately RMB12.01 million).

Up to 31 December 2022, the Group had used the net proceeds as originally intended as follows:

	Original allocation of net proceeds			Utilisation up to 31 December 2022		Remaining balance of net Proceeds as at 31 December 2022	
	HK\$'million	RMB Equivalent 'million	% of Net Proceeds	HK\$'million	RMB Equivalent 'million	HK\$'million	RMB Equivalent 'million
General working capital of the Group	14.2	12.01	100%	14.2	12.01	—	—

The following table sets out the breakdown of the use of proceeds as general working capital of the Group during the Year:

	Net proceeds utilised for the Year	
	HK\$	RMB equivalent
Administrative expenses	1,018,000	871,000
Professional fee	429,000	367,000
Rental costs	264,000	226,000
Staff costs	1,124,000	962,000
Total	<u>2,835,000</u>	<u>2,426,000</u>

During the Year, the utilised net proceeds amounted to approximately HK\$2.84 million and the net proceeds were fully utilised as at 31 December 2022.

## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS

	Percentage of the Group's total	
	Sales	Purchases
Largest customer	16.61%	
Five largest customers in aggregate	48.62%	
Largest supplier		97.00%
Five largest suppliers in aggregate		99.93%

To the best of the knowledge of the Directors, none of the Directors, their respective close associates (as defined under the Listing Rules) or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers of the Group.

### SHARE PREMIUM, RESERVES AND DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2022 were as follows:

	Share premium	Accumulated losses
	RMB'000	RMB'000
As at 31 December 2022	130,899	(75,198)
As at 31 December 2021	130,899	(66,645)

The Company did not have distributable reserves as at 31 December 2022, calculated in accordance with the Companies Law of the Cayman Islands, as it has accumulated losses.

However, the Company's share premium amount may be distributed as dividends provided that immediately following the date of which the dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

### SHARE CAPITAL

Particulars of the Company's share capital are set out in note 27 to the audited financial statements.

### CHARITABLE DONATIONS

Approximately RMB0.13 million cash and in-kind donation was made by the Group during the Year (2021: approximately RMB0.05 million).

### PERMITTED INDEMNITY PROVISIONS

During the Year, the Directors and officers are insured under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any fraud or dishonesty.

### SEGMENT INFORMATION

The segment information of the Group for the Year is set out in note 4 to the audited financial statements.

## FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the latest five financial years, as extracted from the audited financial statements, is set out on page 124 of this annual report. This summary is for information only and does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 13 to the audited financial statements.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the Year and up to the date of this report were as follow:

### Executive Directors:

Li Yuguo  
 Liu Jiang (*Resigned with effect from 23 May 2022*)  
 Liu Yan Chee James  
 Lyu Bin  
 Wang Ruoxi  
 Yang Jiantong (*Appointed on 23 May 2022*)  
 Yang Xiaoqiang

### Independent Non-Executive Directors:

Chen Xun (*Resigned with effect from 23 May 2022*)  
 Prof. Lau Chi Pang J.P.  
 Liu Shuyan  
 Wang Xiaolong (*Appointed on 23 May 2022*)  
 Zhang Yijun

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

In accordance with article 83(3) of the Articles, any Director appointed by the Board to fill casual vacancy on the Board shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with article 84 of the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

## REPORT OF THE DIRECTORS

Pursuant to article 83(3) of the Articles, Mr. Yang Jiantong (appointed on 23 May 2022) and Mr. Wang Xiaolong (appointed on 23 May 2022) will retire as Director at the forthcoming annual general meeting of the Company (the “**2023 AGM**”) and, being eligible, offer themselves for re-election. Mr. Liu Yan Chee James, Mr. Yang Xiaoqiang and Ms. Liu Shuyan will retire by rotation at the forthcoming 2023 AGM pursuant to article 84(1) of the Articles and, being eligible, will offer themselves for re-election.

The term of office of each of the independent non-executive Directors is for a term of three years unless terminated by either party giving at least one month’s notice in writing or equivalent payment in lieu. All of them are subject to retirement by rotation and re-election at an annual general meeting at least once every three years.

Save as disclosed above, no Director proposed for re-election at the 2023 AGM has or is proposed to have a service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### CHANGE IN DIRECTORS’ INFORMATION

The change in the information of the Directors of the Company since the publication of the 2022 interim report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

- Prof. Lau Chi Pang J.P. has been appointed as an independent non-executive director of Freetech Road Recycling Technology (Holdings) Limited (Stock Code: 6888) with effect from 30 December 2022.
- Ms. Wang Ruoxi has tendered her resignation as an executive Director with effect from 1 April 2023. For further details, please refer to the announcement of the Company dated 21 March 2023.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” in this report.

### RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 31 to the consolidated financial statements.

The related party transactions set out in note 31 to the consolidated financial statements constituted connected transactions of the Company but were fully exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### CONNECTED TRANSACTIONS

During the Year, the Directors are not aware of any related party transactions which constituted a non-exempt connected transaction or continuing connected transaction of the Company under the Listing Rules.

### DIRECTORS’ INTEREST IN COMPETING BUSINESS

During the Year, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Saved as disclosed in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at any time during the Year.

## CONTROLLING SHAREHOLDERS' INTEREST

Saved as disclosed in this annual report, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined under the Listing Rules) of the Company or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries.

## DISCLOSURE OF INTERESTS

### Directors' and Chief Executive's Interests and short positions in Shares, Underlying Shares and Debentures of the Company

As at 31 December 2022, the interest or short positions of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as were entered in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"):

Name of Director	Company/ name of associated corporation	Nature of interest	Number of Ordinary Shares		Approximate % of shareholding
			Long Position	Short Position	
Li Yuguo	The Company	Beneficial owner and interest in controlled corporation	477,799,000	—	54.44 (Note 1)

Note:

- These 477,799,000 shares including (i) 20,152,000 shares owned by Mr. Li Yuguo as beneficial owner and (ii) 457,647,000 shares directly held by Zhong Ke Jiu Tai Technology Group Limited, which is in turn wholly-owned by Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited. Mr. Li Yuguo is the beneficial owner of the entire issued share capital of Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited.

Save as disclosed above, as at 31 December 2022, none of the Directors nor chief executive of the Company had registered any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to be under such provisions of the SFO), or as were entered in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## REPORT OF THE DIRECTORS

### Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

So far as the Directors are aware, as at 31 December 2022, the following persons or corporations, other than the Directors or chief executive of the Company, had or were deemed or taken to have interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were entered in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Long/ short position	Capacity and nature of interest	Number of ordinary shares	Approximate % shareholding
Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited	Long position	Interest in controlled corporation	457,647,000 (Note 1)	52.14
Zhong Ke Jiu Tai Technology Group Limited	Long position	Beneficial owner	457,647,000 (Note 1)	52.14

Note:

1. These 457,647,000 Shares are registered in the name of Zhong Ke Jiu Tai Technology Group Limited, which is directly wholly-owned by Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited. Mr. Li Yuguo is the beneficial owner of the entire issued share capital of Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as entered in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2022.

### MANAGEMENT CONTRACTS

There is no contract entered into by the Company relating to its management and administration of the entire or any substantial part of the business of the Group.

## REMUNERATION POLICY AND REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The remuneration policy of the employees of the Group is determined by the Board on the basis of their merit, qualifications and competence.

Under the Mandatory Provident Fund Scheme, the Hong Kong employees are required to make regular mandatory contributions calculated at 5% of the employee's relevant income to an MPF scheme, subject to the minimum and maximum relevant income levels. No forfeited contribution is available to reduce the existing level of contributions for the defined contribution scheme.

The employees of the subsidiaries in the PRC are required to participate in a defined central pension scheme managed by the local municipal government of the areas in the PRC in which they operate. The subsidiaries are required to contribute certain percentage of the relevant part of the payroll of these employees to the central pension scheme.

The remuneration of the Directors are decided by the Board and the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Details of the Directors' remuneration and the five highest paid individuals are set out in notes 8 and 9, respectively, to the audited financial statements.

No Director has waived or has agreed to waive any emolument during the Year.

## DEBT SECURITIES

The Group has not issued any debt securities.

## EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the year.

## PRE-EMPTIVE RIGHTS

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

## CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code in Appendix 14 to the Listing Rules during the Year, except for those code provisions as set out above. Details of the corporate governance of the Company are set out in the Corporate Governance Report on pages 17 to 29 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the prescribed minimum public float under the Listing Rules during the Year and at any time up to the date of this report.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

## REPORT OF THE DIRECTORS

### RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to its shareholders by reason of their holding of the shares of the Company.

### BUSINESS REVIEW AND PRINCIPAL RISKS AND UNCERTAINTIES

The business review of the Group for the Year, an indication of likely future developments in the Group's business and the principal risks and uncertainties facing the Group are included in the section "Management Discussion and Analysis" on pages 5 to 16 of this annual report. Those discussions form part of this Report of the Directors.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The 2022 Environmental, Social and Governance Report of the Company will be disclosed separately on the websites of the Company and the Stock Exchange by 30 April 2023.

### EVENTS AFTER THE REPORTING PERIOD

Save and except those disclosed in note 36 to the consolidated financial statements, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this annual report.

### AUDITORS

Ernst & Young was the auditor of the Company until its resignation on 5 August 2020 and Lau & Au Yeung C.P.A. Limited was appointed as the auditor of the Company with effect from 5 August 2020. The consolidated financial statements of the Group for the Year have been audited by Messrs. Lau & Au Yeung C.P.A. Limited, which will retire and, being eligible, offer themselves for re-appointment at the forthcoming 2023 AGM. A resolution for the re-appointment of Lau & Au Yeung C.P.A. Limited as the Group's auditor will be proposed at the forthcoming 2023 AGM.

On behalf of the Board

**Li Yuguo**

*Executive Director*

Hong Kong, 31 March 2023

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The profile of Directors and senior management as at the date of this annual report are as follows:

## EXECUTIVE DIRECTORS

**Mr. Li Yuguo**, aged 68, was appointed as an executive Director and authorised representative of the Company on 19 September 2018 and 14 July 2021 respectively. He was also the chief executive officer of the Company for the period from 16 June 2020 to 23 May 2022. Mr. Li was graduated from Jiangxi University of Finance and Economics (formerly known as Jiangxi Institute of Finance and Economics (江西財經學院)) (Jiangxi, PRC) in July 1983, majoring in industrial accounting. He is an executive director and chairman of the board of directors of Asia Resources Holdings Limited (“**Asia Resources**”), a company listed on the Main Board of the Stock Exchange (Stock Code: 899). He has been a non-executive director of Shengjing Bank Co., Ltd.\* (盛京銀行股份有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 2066), from July 2013 to March 2021 and the vice chairman of the board of directors of the said bank from June 2014 to February 2018. He has been the chairman of Liaoning Huibao International Investment Group Co., Ltd.\* (遼寧匯寶國際投資集團有限公司) since June 2013 and the chairman of Beijing Jiutai Group Co., Ltd.\* (北京九台集團有限公司) since May 1993. Liaoning Huibao International Investment Group Co., Ltd. is principally engaged in investing activities and Beijing Jiutai Group Co., Ltd.\* (北京九台集團有限公司) is principally engaged in property development, property investment and management. Prior to that, he had worked at the planning bureau of the China Association for Science and Technology\* (中國科學技術協會) as principal staff, deputy chief and chief of the accounting division from August 1983 to October 1992. Mr. Li also has experience in mining business in The People’s Republic of China (the “**PRC**”) relating to non-ferrous metals mining during his involvement in Beijing Jiutai Group Co. Limited and related affiliate companies.

**Mr. Liu Yan Chee James**, aged 52, was appointed as an executive Director of the Company on 9 August 2019. He was also the chief executive officer of the Company for the period from 26 October 2018 to 16 June 2020. Mr. Liu graduated from Dalhousie University in Canada with a Bachelor of Commerce in February 1994. He has over 20 years of experience in finance and accounting. Mr. Liu is an executive director and the chief executive officer of Asia Resources and an executive director of Mindtell Technology Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8611). He was also an independent non-executive director of Luen Wong Group Holdings Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8217) from March 2016 to December 2017.

Mr. Liu has been criticised by the Listing Committee of the Stock Exchange on 20 January 2020 in relation to his breach of Rule 3.08(f) of the Listing Rules and his obligations under the Declaration and Undertaking with regards to directors given by him to the Stock Exchange set out in Appendix 5 of the Listing Rules, in discharging his fiduciary duties as an executive director of Asia Resources with sufficient skill, care and diligence of a director as may reasonably be expected of a person of his knowledge and experience and holding his office. For details, please refer to the announcement of the Company dated 23 January 2020.

\* For identification purposes only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Lyu Bin**, aged 54, was appointed as an executive Director of the Company on 29 April 2020. He graduated from Inner Mongolia Institute of Agriculture and Animal Husbandry\* (內蒙古農牧學院) in agricultural machinery in June 1991, majoring in machinery manufacturing, agricultural machinery management and enterprise management. He worked as a technician and the head of the production and operation department of Grassland Cement Group Co., Ltd.\* (草原水泥集團有限公司) from 1991 to 2005, engaged in production and costing management. He worked as the supervisor of the staff, procurement, manpower and management departments of Baotou Want Want Company\* (包頭旺旺公司) in Inner Mongolia, a subsidiary of Want Want Group\* (旺旺集團), which is a Taiwan-owned enterprise, from September 2005 to July 2012. During this tenure as the supervisor, he has received Japanese enterprise management system trainings of Want Want Group and has extensive experience in factory cost and quality control. He served as the general manager of the mining department of Baotou Xinxing Industrial Company\* (包頭鑫星實業公司) in Inner Mongolia, a subsidiary of Fujian Zhentong Investment\* (福建振通投資) from December 2012 to October 2015, engaged in coordinating the exploration, mining and trading of the company's mineral resources. Since October 2015, he has been the vice president of Xincheng (Group) Co., Ltd.\* (鑫辰(集團)有限公司), mainly responsible for the mining rights, technology and costing of companies in the mining segment. Mr. Lyu joined Shenzhen Zhongke Jiutai Resources Technology Co., Ltd.\* (深圳中科九台資源科技有限公司) in October 2016 and was appointed as the company's executive director in September 2017, mainly responsible for the company's project preparation, research and other related work. Since 6 April 2020, Mr. Lyu has been the director of two subsidiaries of the Company, namely Future Bright (H.K.) Investment Limited and Xiangyang Future Bright Mining Limited.

**Ms. Wang Ruoxi**, aged 35, was appointed as an executive Director of the Company on 3 November 2021. She held the position of assistant to the president and manager of the fund management department at Peking University Founder Group Company Limited and its associated company Peking University Resources Group Holdings Company Limited\* (北大資源集團控股有限公司), respectively, during the period from March 2011 to May 2016. She held the position of vice president of the investment banking department at Credit Prosperity Fund Management Company Limited\* (信業股權投資管理有限公司) during the period from July 2016 to May 2018, managing a number of real estate investment funds. Ms. Wang engaged individually in government guidance funds related work during the period from June 2018 to June 2020. She has been the head of the capital market department at AJ Securities Company Limited from July 2020 to December 2021, responsible for works including issue of securities and underwriting for companies contemplated for listing. She obtained a master's degree in business administration from the Guanghua School of Management, Peking University, in July 2017.

\* For identification purposes only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Yang Jiantong**, aged 32, was appointed as an executive Director of the Company on 23 May 2022. He graduated from the University of Toronto and obtained a bachelor's degree in business administration in November 2015. He became a Chartered Professional Accountant in Canada in January 2020. Mr. Yang worked as a tax associate (internship) in the international tax department of PricewaterhouseCoopers, LLP Canada from February to April 2014 and February to April 2015, responsible for providing solutions to tax issues arising from the international flow of talents among multinational enterprises. He worked as a staff accountant and project manager in a medium-sized accounting firm in Toronto from October 2015 to December 2018, and has accumulated rich experience in project management, financial audit, review and tax planning. From January to March 2021, Mr. Yang served as an intermediate accountant in the audit team of BDO Canada LLP, focusing on the financial audit of Canadian SMEs to meet the financial audit requirements from government regulators and banks. In November 2021, Mr. Yang co-founded Shenzhen Rongyu Private Equity Investment Limited Corporation\* (深圳市融煜創業投資有限公司) with partners in Shenzhen and served as the general manager, focusing on primary market investment in chip semiconductors, environmental protection industries and new energy.

**Mr. Yang Xiaoqiang**, aged 51, was appointed as a non-executive Director and the vice chairman of the Board on 19 September 2018 and was re-designated as an executive Director on 22 December 2020. He obtained a bachelor's degree in industrial automation from the Shenyang Mechanical Engineering University\* (瀋陽機械工業大學) in 1994 and obtained a master degree in civil and commercial laws from the Shenyang Normal University in July 2001. Mr. Yang has extensive experience in real estate development and investment management. He has been appointed as director and general manager of Shenyang Tairong Real Estate Development Corporation Limited\* (瀋陽泰榮房地產開發有限公司) since September 2010 and a non-executive director and vice chairman of Asia Resources since September 2018.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Prof. Lau Chi Pang J.P.**, aged 62, was appointed as an independent non-executive Director of the Company on 19 September 2018. He obtained a master of philosophy from the University of Hong Kong in November 1987 and a doctor of philosophy from the University of Washington in August 2000. He is currently a professor in the history department of Lingnan University. He has lectured at Lingnan University since September 1993. He has also been the secretary general of Hong Kong Local Records Foundations and director of Hong Kong Local Records Office (香港地方誌辦公室) since June 2009 and the director of the history of Hong Kong and southern China research department of Lingnan University since September 2005. He had served as the vice chairman of the Tuen Mun District Council of Hong Kong from July 2011 to December 2011 and had been a member of the Tuen Mun District Council from January 2004 to December 2011. He has been an independent non-executive director of Shengjing Bank Co., Ltd. (盛京銀行股份有限公司) (Stock Code: 02066) from July 2014 to August 2018. He has been an independent non-executive director of Acme International Holdings Limited (Stock Code: 1870) and Freetech Road Recycling Technology (Holdings) Limited (Stock Code: 6888) since October 2019 and December 2022, respectively. Prof. Lau is also a current member of the seventh Hong Kong Legislative Council.

**Ms. Liu Shuyan**, aged 48, was appointed as an independent non-executive Director of the Company on 19 September 2018. She graduated from Renmin University of China\* (中國人民大學) with a bachelor's degree in Accounting (會計專業) in September 2005. She was certified as a Senior Accountant by the Senior Accreditation Committee of Professional Qualifications in Accounting of Shandong Province\* (山東省會計專業資格高級評審委員會) in June 2017. Ms. Liu has more than 20 years of experience in financial reporting, corporate finance, investment and financial management. Since August 2013, she has been appointed as director, deputy general manager and the financial controller of Kairuide Holding Company Limited\* (凱瑞德控股股份有限公司) ("Kairuide"), a company listed on the Shenzhen Stock Exchange of the PRC (Stock Code: 2072.SZ). She resigned as the financial controller of Kairuide in May 2019 and left Kairuide in March 2021. Ms. Liu served as the financial controller of Shandong Fenghui Textile Co., Ltd. \* (山東豐匯紡織有限公司) in May 2021, responsible for the company's financial management, operating results analysis, tax planning and other operation management work.

\* For identification purposes only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wang Xiaolong**, aged 38, was appointed as an independent non-executive Director of the Company on 23 May 2022. He has been working in Baotong Coal Mine of Zhungeer Banner Zhungeer Mining Area Xingda Industry and Trade Company\* (准格爾旗准格爾礦區星達工貿有限責任公司寶通煤礦), since May 2008. Early, when he was in the position of safety supervisor, he was mainly responsible for inspecting and supervising the construction unit to implement the safety protection against hidden dangers of sub-sections and sub-projects in each process in accordance with the technical standards and specification requirements for coal mining construction safety. Later in June 2015, he was promoted to the manager of the company's engineering department, being responsible for the overall arrangement and management of earthwork stripping project of the open-pit coal mine to ensure the safe production of the open-pit coal mine.

**Mr. Zhang Yijun**, aged 67, was appointed as an independent non-executive Director of the Company on 19 September 2018. He obtained his bachelor's degree in environmental engineering from China University of Geosciences\* (中國地質大學) in July 2005 and a diploma in geological mineral exploration from Hunan Province School of Geosciences\* (湖南省地質學校) in August 1980. From August 1980 to July 2015, he has served at Hunan Province Geological Survey Institute\* (湖南省湘南地質勘察院) for geological survey and mineral exploration.

### SENIOR MANAGEMENT

**Mr. Bao Xuefeng**, aged 59, was appointed as the chief executive officer of the Company on 23 May 2022. He graduated from Inner Mongolia Agricultural College (內蒙古林學院) (currently known as Inner Mongolia Agricultural University (內蒙古農業大學)) and obtained a bachelor's degree in engineering in July 1984 with a major in forestry machinery design and manufacturing. From 1984 to 2006, Mr. Bao worked for the Research Institute of Forestry of Inner Mongolia Forestry Department\* (內蒙古林業廳林業研究院) and served in different positions including assistant engineer, engineer, associate researcher and deputy director of the Scientific Research Department. From November 1995 to November 2011, he jointly established and operated Inner Mongolia Huida Materials Trading Co., Ltd.\* (內蒙古匯達物資貿易有限責任公司), which was mainly engaged in the wholesale of metals and metal ores. Since January 2007, Mr. Bao has also served as an executive director and manager of Inner Mongolia Baoquan Pawn Co., Ltd.\* (內蒙古寶泉典當有限責任公司) and engaged in providing mortgage and pawn services for movable property, property rights and real estate property. In March 2009, he, in collaboration with his partners, established the Inner Mongolia Haifeng Investment Co., Ltd.\* (內蒙古海峰投資有限責任公司) (mainly responsible for investments in real estate, mining, highway, bridge construction, and energy development) and served as an executive director and manager. In April 2011, he established Henry Feng Investment Company Limited and was responsible for project investment. He also invested in Hohhot Ruyi Mengyin Rural Bank Co., Ltd. in July 2011 and served as the company's director from July 2011 to May 2021.

**Mr. Wu Ho Wai**, aged 46, was appointed as chief financial officer, company secretary and authorised representative of the Company on 25 October 2018. He is the fellow member of the Association of Chartered Certified Accountants and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wu holds a degree of Bachelor of Arts in Accountancy from Hong Kong Polytechnic University. Mr. Wu has over 20 years of experience in accounting and auditing. He is also the company secretary and an authorised representative of Asia Resources.

**Mr. Liu Zhanghui**, aged 45, is currently the mine head of our Yiduoyan Project. He has over ten years of experience in extraction activities and production safety. Mr. Liu joined our Group in February 2012 and was appointed as the mine head of our Yiduoyan Project in June 2012. He is the key on-site person-in-charge of the daily operation of our Yiduoyan Project. Mr. Liu is primarily responsible for the setting up and management of mining production team, execution of mining plans, supervision and management of production activities, providing technical support and training to technical personnel for extraction activities, as well as overseeing production safety. Mr. Liu graduated from China Three Gorges University in July 2005.

\* For identification purposes only

# INDEPENDENT AUDITOR'S REPORT



劉歐陽會計師事務所有限公司  
LAU & AU YEUNG C.P.A. LIMITED

21/F, Tai Yau Building  
181 Johnston Road  
Wanchai  
Hong Kong

香港  
灣仔  
莊士敦道181號  
大有大廈21樓

## To the shareholders of Future Bright Mining Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Future Bright Mining Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 52 to 123, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
<b>1. Revenue recognition</b>	
<p>The Group's revenue is derived from the sales of marble blocks and coals. Revenue is recognised when the Group satisfies the performance obligation by transferring the control over marble blocks and coals to the customer, which is the point of time when the Group delivers the marble blocks and coals to the designated place and the customer accepts the marble blocks and coals and signs on the goods delivery note in accordance with terms and conditions as set out in the contract with the customer.</p>	<p>We obtained an understanding of and assessed the design, implementation and operating effectiveness of key internal controls in relation to revenue recognition from the sales of marble blocks and coals.</p>
<p>We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there may be an incentive for management to recognise revenue in the incorrect accounting period, either earlier or later, to meet its performance expectations or targets.</p>	<p>We inspected key customer contracts, on a sample basis, to identify performance obligations and terms and conditions relating to goods acceptance and assessed the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;</p> <p>By comparing, on a sample basis, revenue transactions recorded during the year with the underlying sales orders, goods delivery notes signed by customers, invoices and transportation settlement forms, we assessed whether the related revenue was recognised in the appropriate accounting period;</p>
	<p>By comparing, on a sample basis, specific revenue transactions recorded before and after the year end date with the underlying transportation settlement forms and goods delivery notes signed by the customers, we assessed whether the related revenue had been recognised in the appropriate accounting period; and</p>
	<p>We assessed whether the disclosures of revenue in the financial statements meet the requirements of the prevailing accounting standards.</p>

## KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
<p data-bbox="199 426 845 459"><b>2. Impairment assessment on non-financial assets</b></p> <p data-bbox="199 506 742 1142">The Group's significant non-financial assets as at 31 December 2022, mainly comprised a mining right, plant and machinery, mine infrastructure and right-of use assets held by the wholly owned subsidiary, Xiangyang Future Bright Mining Limited ("XYFB"), together considered as the Group's individual cash-generated unit ("CGU"). In accordance with IFRS, management is required to perform detailed impairment assessment on the CGU when any impairment indicator is identified, and impairment provision is required when the recoverable amount is lower than the respective carrying value. Management determined the recoverable amount of the CGU based on the fair value estimated by an independent external expert who used multi period excess earnings method, in which key assumptions included marble block price projection and discount rate.</p> <p data-bbox="199 1175 742 1714">This matter was significant to our audit because the impairment assessment process was complex and involved significant judgements and estimations. The assessment of the existence of indicators of impairment of non-financial assets is judgemental. In the event that indicators are identified, the assessment of recoverable amounts of non-financial assets is also judgemental. The estimates involved in the assessment are particularly significant due to volatility of the market price of marble block, the estimation of future production and the uncertainty in connection with future economic outlook. The changes in the economic environment in China may lead to a decrease in production, revenue and profitability of the Group.</p> <p data-bbox="199 1746 742 1940">The Group's disclosures about the impairment of these non-current assets are included in the section <i>Impairment of non-financial assets</i> in note 2.4, <i>Estimation uncertainty</i> in note 3, and notes 13, 14, 15 and 16 to the financial statements.</p>	<p data-bbox="774 506 1428 592">We assessed the appropriateness of valuation methodology, key assumptions and estimates used on general conditions of the marble block industry.</p> <p data-bbox="774 636 1428 689">We evaluated the competence, capabilities, objectivity and independence of the management's experts.</p> <p data-bbox="774 733 1428 819">We checked the data of mine reserves and resources used in the mine reserve report issued by an external qualified expert and certified by the local authority.</p> <p data-bbox="774 862 1428 980">Regarding the marble block price projections and discount rate, we compared the key assumptions with external sources of information on the marble block industry and analysis of the specific risks relating to the relevant CGU.</p> <p data-bbox="774 1024 1428 1175">Regarding the capacity and projected output suggested within the mine reserve report, we assessed the mine geologist's professional competence in preparing the report and understanding the assumptions used in the estimation of mineral reserves and resources.</p> <p data-bbox="774 1218 1428 1304">We also focused on the adequacy of the Group's disclosures of impairment of non-current assets in the consolidated financial statements.</p>

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
<p data-bbox="164 508 703 599">As at 31 December 2022, the gross amount of deposits and other receivables was amounting to RMB3,251,000.</p> <p data-bbox="164 638 703 983">Management's estimate is required in assessing the expected credit losses ("<b>ECLs</b>") in accordance with IFRS 9. ECLs for receivables are based on management's estimate of lifetime ECLs to be incurred, which are estimated by taking into account the credit loss experience, ageing of overdue receivables, debtors' repayment history and assessment of both the current and forecast macro-economic conditions, all of which involve a significant degree of management estimation.</p> <p data-bbox="164 1021 703 1272">During the year ended 31 December 2022, trade receivables were all written off as bad debts and the other receivables were all recovered. A reversal of provision on trade receivables and other receivables of RMB5,524,000 and RMB540,000 respectively was recognised against the Group's loss for the year.</p> <p data-bbox="164 1310 703 1364">Related disclosures are included in notes 2.4, 3, 19 and 20 to the financial statements.</p>	<p data-bbox="742 508 1394 758">We examined management's assessment of the ECLs of receivables by checking the bank-in slips for the settlements received subsequent to the end of the reporting period, the correctness of receivable ageing report, the recent historical repayment patterns and the correspondence with debtors. We also assessed the methodology in the ECL model against the requirements of IFRS 9.</p> <p data-bbox="742 797 1394 851">Furthermore, we also assessed the adequacy of disclosures in the consolidated financial statements.</p>

## KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
<p><b>4. Renewal of mining permit</b></p>	
<p>The Group's revenue mainly derived from the sales of marble products from XYFB, which holds the mining permit of the Yiduoyan Project (the "<b>mining permit</b>"), a license allowing XYFB to continue its marble product operation. The mining permit had a term of 10 years and expired on 30 December 2021. In June 2020 and June 2021, XYFB has submitted applications to the Natural Resources and Planning of Nanzhang County Bureau* (南漳縣自然資源和規劃局) (the "<b>Bureau</b>") for (i) enhancing the annual production capacity of the Yiduoyan Project to 200,000 cubic metres per annum; and (ii) renewing the mining permit. However, due to the impact of the ongoing COVID-19 pandemic, the relevant government departments and third-party evaluation agencies failed to issue the relevant reports required for purpose of processing the renewal on time. As a result, the Bureau was unable to complete the renewal procedures and issue the renewed mining permit within the statutory time limit.</p> <p>On 25 July 2022, the Bureau published a PRC assessment report showing the additional resources fee of the Yidouyan Project is approximately RMB98.7 million.</p> <p>This event indicates that the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue the marble block segment business.</p>	<p>On 17 December 2021, the Bureau issued a letter to the company regarding the renewal status of the mining permit (the "<b>Letter</b>"). We reviewed the Letter and it shows that the application for renewal of the mining permit has been received and no violation of laws or regulations is identified when reviewing the application.</p> <p>The Letter also stated that the relevant government departments were accelerating the renewal process and assured that the renewal procedures would be completed by 30 June 2022.</p> <p>Also, according to the Letter, during the renewal period of the mining permit, normal business activities of XYFB can be continued in accordance with the law of the PRC.</p> <p>Due to the impact of the ongoing COVID-19 pandemic, the permit renewal process was further delayed.</p> <p>On 2 September 2022, a meeting was held by the People's Government of Nanzhang* (南漳縣人民政府) and the renewal of the mining permit was principally agreed by the Nanzhang County Natural Resources Management Committee* (南漳縣自然資源管理委員會). Further administrative procedures were required to complete the renewal process.</p> <p>However, due to the spread of the new wave of COVID-19 pandemic in the fourth quarter of 2022, the renewal procedure was once again affected.</p> <p>We have reviewed the Letter, PRC assessment report, meeting minutes and the communications between the Group and the Bureau. We also performed search for local news related to the Yiduoyan Project and assessed the Group's ability to continue the marble block segment business and the adequacy of disclosures in the consolidated financial statements.</p>

\* For identification purposes only

## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Au Yeung Tin Wah.

**Lau & Au Yeung C.P.A. Limited**  
*Certified Public Accountants*

**Au Yeung Tin Wah**  
Practising Certificate Number: P02343

Hong Kong  
31 March 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>REVENUE</b>	5	<b>63,884</b>	24,667
Cost of sales		<u>(55,309)</u>	<u>(21,138)</u>
Gross profit		<b>8,575</b>	3,529
Other income and gains	5	<b>491</b>	3,128
Selling and distribution expenses		—	(123)
Administrative expenses		<b>(14,803)</b>	(9,341)
Other operating expenses		<b>(7,779)</b>	(177)
Reversal of impairment losses/(impairment losses) on financial assets, net		<b>6,064</b>	(528)
Losses on changes in fair value of financial assets at fair value through profit or loss		<b>(33)</b>	(190)
Finance costs	7	<u><b>(315)</b></u>	<u>(180)</u>
<b>LOSS BEFORE TAX</b>	6	<b>(7,800)</b>	(3,882)
Income tax (expense)/credit	10	<u><b>(1,131)</b></u>	<u>1,193</u>
<b>LOSS FOR THE YEAR</b>		<u><b>(8,931)</b></u>	<u>(2,689)</u>
Attributable to:			
Owners of the Company		<b>(8,867)</b>	(2,491)
Non-controlling interests		<u><b>(64)</b></u>	<u>(198)</u>
		<u><b>(8,931)</b></u>	<u>(2,689)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			(Restated)
Basic and diluted	12	<u><b>RMB1.01 cents</b></u>	<u>RMB0.28 cents</u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
<b>LOSS FOR THE YEAR</b>	<b>(8,931)</b>	(2,689)
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>1,937</u>	(834)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b><u>1,937</u></b>	<u>(834)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>(6,994)</u></b>	<u>(3,523)</u>
Attributable to:		
Owners of the Company	<u>(6,928)</u>	(3,326)
Non-controlling interests	<u>(66)</u>	(197)
	<b><u>(6,994)</u></b>	<u>(3,523)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	12,604	12,857
Right-of-use assets	14	5,889	1,338
Long-term prepayments	15	—	—
Other intangible assets	16	19,873	19,873
Total non-current assets		38,366	34,068
<b>CURRENT ASSETS</b>			
Inventories	18	535	3,087
Trade receivables	19	—	—
Prepayments, deposits and other receivables	20	3,860	4,055
Financial assets at fair value through profit or loss	21	102	116
Cash and cash equivalents	22	31,223	25,989
Total current assets		35,720	33,247
<b>CURRENT LIABILITIES</b>			
Trade payables	23	485	1,056
Other payables and accruals	24	5,533	4,657
Short-term borrowings	25	7,727	—
Amount due to a director	31	10	—
Amount due to the ultimate controlling shareholder	31	536	—
Tax payable		961	—
Lease liabilities	14	3,281	692
Total current liabilities		18,533	6,405
<b>NET CURRENT ASSETS</b>		<b>17,187</b>	<b>26,842</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>55,553</b>	<b>60,910</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	14	1,746	130
Deferred tax liabilities	17	1,729	1,676
Provision for rehabilitation	26	1,535	1,438
Total non-current liabilities		5,010	3,244
Net assets		50,543	57,666
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	27	3,524	3,524
Reserves	28	49,009	56,066
		52,533	59,590
Non-controlling interests		(1,990)	(1,924)
Total equity		50,543	57,666

Mr. Li Yuguo  
Director

Mr. Yang Jiantong  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital RMB'000 (Note 27)	Share premium* RMB'000 (Note 27)	Capital reserve* RMB'000 (Note 28)	Contributed reserve* RMB'000 (Note 28)	Safety fund	Statutory	Foreign	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
					surplus	reserve	currency				
					reserve*	fund*	reserve*				
At 1 January 2022	3,524	130,899	24,216	34,152	180	238	2,508	(136,127)	59,590	(1,924)	57,666
Loss for the year	-	-	-	-	-	-	-	(8,867)	(8,867)	(64)	(8,931)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,939	-	1,939	(2)	1,937
Total comprehensive income for the year	-	-	-	-	-	-	1,939	(8,867)	(6,928)	(66)	(6,994)
Use of safety fund surplus reserve	-	-	-	-	(129)	-	-	-	(129)	-	(129)
At 31 December 2022	<u>3,524</u>	<u>130,899</u>	<u>24,216</u>	<u>34,152</u>	<u>51</u>	<u>238</u>	<u>4,447</u>	<u>(144,994)</u>	<u>52,533</u>	<u>(1,990)</u>	<u>50,543</u>

	Attributable to owners of the Company										
	Share capital RMB'000 (Note 27)	Share premium* RMB'000 (Note 27)	Capital reserve* RMB'000 (Note 28)	Contributed reserve* RMB'000 (Note 28)	Safety fund	Statutory	Foreign	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
					surplus	reserve	currency				
					reserve*	fund*	reserve*				
At 1 January 2021	3,524	130,899	24,216	34,152	229	238	3,343	(133,535)	63,066	(1,727)	61,339
Loss for the year	-	-	-	-	-	-	-	(2,491)	(2,491)	(198)	(2,689)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(835)	-	(835)	1	(834)
Total comprehensive income for the year	-	-	-	-	-	-	(835)	(2,491)	(3,326)	(197)	(3,523)
Establishment for safety fund surplus reserve	-	-	-	-	101	-	-	(101)	-	-	-
Use of safety fund surplus reserve	-	-	-	-	(150)	-	-	-	(150)	-	(150)
At 31 December 2021	<u>3,524</u>	<u>130,899</u>	<u>24,216</u>	<u>34,152</u>	<u>180</u>	<u>238</u>	<u>2,508</u>	<u>(136,127)</u>	<u>59,590</u>	<u>(1,924)</u>	<u>57,666</u>

\* These reserve accounts comprise the consolidated reserves of RMB49,009,000 as at 31 December 2022 (31 December 2021: RMB56,066,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(7,800)	(3,882)
Adjustments for:			
Finance costs	7	315	180
Interest income	5	(89)	(58)
Unrealised fair value losses of financial assets at fair value through profit or loss	6	33	168
Losses on disposal of financial assets at fair value through profit or loss	6	—	22
Use of safety fund surplus reserve		(129)	(150)
Depreciation of property, plant and equipment	6, 13	502	1,067
Depreciation of right-of-use assets	6, 14	1,767	955
Amortisation of long-term prepayments	6, 15	—	81
Amortisation of other intangible assets	6, 16	—	614
Bad debts written off	6, 19	5,524	12
Reversal of impairment losses of trade receivables (Reversal of impairment losses)/impairment losses of other receivables	6, 19 6, 20	(5,524) (540)	(12) 540
Written off of property, plant and equipment	6, 13	4	78
		<u>(5,937)</u>	<u>(385)</u>
Decrease/(increase) in inventories		2,552	(2,728)
(Increase)/decrease in prepayments, deposits and other receivables		(2,526)	664
(Decrease)/increase in trade payables		(612)	358
Increase/(decrease) in other payables, accruals and amounts due to the related parties		<u>3,375</u>	<u>(2,047)</u>
Cash used in operations		<b>(3,148)</b>	(4,138)
Cash payments for the interest portion of the lease liabilities	14	(218)	(89)
Income tax paid		<u>(117)</u>	<u>(51)</u>
Net cash flows used in operating activities		<u><b>(3,483)</b></u>	<u>(4,278)</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	5	89	58
Purchases of items of property, plant and equipment	13	(230)	(204)
Refund of deposits paid for acquisition of property, plant and equipment		3,400	6,000
Proceeds from disposal of financial assets at fair value through profit or loss		—	381
Purchases of financial assets at fair value through profit or loss		(10)	(385)
Net cash flows from investing activities		<u>3,249</u>	<u>5,850</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term borrowings	29	7,402	—
Principal portion of lease payments	29	(2,126)	(1,139)
Net cash flows from/(used in) financing activities		<u>5,276</u>	<u>(1,139)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>5,042</b>	433
Cash and cash equivalents at beginning of year		25,989	25,734
Effect of foreign exchange rate changes, net		192	(178)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b><u>31,223</u></b>	<b><u>25,989</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	22	<u>31,223</u>	<u>25,989</u>
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows		<u>31,223</u>	<u>25,989</u>

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 1. CORPORATE AND GROUP INFORMATION

The Company was an exempted company with limited liability incorporated in the Cayman Islands on 23 August 2013 under the Companies Law, Chapter 22 of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- excavation and sale of marble blocks;
- production and sale of marble related products;
- trading of mineral commodities; and
- trading of coals.

In the opinion of the directors, the holding company of the Company is Zhong Ke Jiu Tai Technology Group Limited, a private company incorporated in Hong Kong, and the ultimate controlling shareholder of the Company is Mr. Li Yuguo.

### Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Gold Title Investments Limited	British Virgin Islands	USD50,000	100	—	Investment holding
New Victoria Investments Limited	British Virgin Islands	USD1	100	—	Investment holding
World Harvest Group Limited	British Virgin Islands	USD1	100	—	Investment holding
Future Bright (H.K.) Investment Limited	Hong Kong	HKD10,000	—	100	Commodity trading
East Pacific Investment Limited	Hong Kong	HKD100	—	51	Investment holding and commodity trading
Main Pacific Investment Limited	Hong Kong	HKD1	—	100	Investment holding
Xiangyang Future Bright Mining Limited*	PRC/Mainland China	RMB20,000,000	—	100	Mining, ore processing and sale of marble products
Xiamen Gaopeng Tongchuang International Trade Company Limited ** (Formerly known as Xiamen Gaopengtongchuang New Materials Technology Company Limited)	PRC/Mainland China	RMB8,000,000	—	100	Trading of merchandises
Gaopenghuanshuo (Xiamen) Building Material Technology Company Limited***	PRC/Mainland China	RMB23,000,000	—	60	Wholesaling of construction and decoration materials
Main Pacific (Shenzhen) Technology Limited*	PRC/Mainland China	RMB1,000,000	—	100	New energy technology and mineral products technology development, technology transfer, service and consulting
Inner Mongolia Main Pacific Energy Company Limited**	PRC/Mainland China	RMB10,000,000	—	100	Sales of coals and coals products

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

- \* Registered as a wholly-foreign-owned enterprise under PRC law.
- \*\* Limited liability company wholly owned by a PRC subsidiary under PRC law.
- \*\*\* Limited liability company jointly invested by Future Bright (H.K.) Investment Limited (“**FBHK**”) and Xiamen Huanshuo Trading Limited under PRC law.

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

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) (which include all applicable individual International Financial Reporting standards, International Accounting Standards and Interpretations (“**IASs**”)) approved by the International Accounting Standards Board (the “**IASB**”) and the disclosure requirements of the Companies Ordinance.

They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has applied its accounting policies consistently throughout the financial periods ended 31 December 2021 and 2022.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 2.1 BASIS OF PREPARATION (continued)

#### Basis of consolidation (continued)

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following amendments to IFRSs for the first time for their annual reporting period commencing 1 January 2022:

Amendments to IAS 16

*Property, Plant and Equipment:*

*Proceeds before intended use*

Amendments to IAS 37

*Onerous Contracts – Cost of Fulfilling a Contract*

Amendments to IFRS 3

*Reference to the Conceptual Framework*

Amendments to IFRS 1,

*Annual Improvements 2018-2020 Cycle*

IFRS 9, IFRS 16 and IAS 41

Amendments to IFRS 16

*Leases: COVID-19-Related Rent Concessions beyond 30 June 2021*

Updates on AG 5 (Revised)

*Merger Accounting for Common Control Combinations*

None of the amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective for the financial year ended 31 December 2022:

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants<sup>2</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>1</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>1</sup></i>
Amendments to IAS 12	<i>Deferred tax related to Assets and Liabilities arisen from a Single Transaction<sup>1</sup></i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>2</sup></i>
IFRS 17	<i>Insurance Contracts, related Amendments and Initial Application of IFRS 17 and IFRS 9 – Comparative Information<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> No mandatory effective date yet determined but available for adoption

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

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combinations and goodwill (continued)

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

### Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair value measurement

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

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

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of non-financial assets

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

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

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

### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Related parties (continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

#### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Buildings and improvements	9.70% to 33.00%
Plant and machinery	9.70% to 19.40%
Motor vehicles	24.25% to 33.00%
Office equipment	19.40% to 33.00%

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment and depreciation (continued)

Depreciation of mining infrastructure is calculated using the Units of Production (“UOP”) method to write off the cost of the assets proportionate to the extraction of the proved and probable mineral reserves.

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

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

### Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

#### *Mining right*

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases

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

#### *Group as a lessee*

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

#### (a) Right-of-use assets

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

Leasehold forest	55 to 70 years
Office premises	1 to 3 years

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

#### (b) Lease liabilities

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases (continued)

*Group as a lessee (continued)*

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment and office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

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

### Investments and other financial assets

*Initial recognition and measurement*

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

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

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

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

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

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments and other financial assets (continued)

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification is as follows:

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

#### Derecognition of financial assets

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets

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

#### *General approach*

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

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

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

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

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

#### *Simplified approach*

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

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Financial liabilities**

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables as appropriate.

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

The Group's financial liabilities include trade payables, other payables and accruals, lease liabilities, short-term borrowings, amount due to a director and amount due to the ultimate controlling shareholder.

##### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at amortised cost (loans and borrowings)*

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

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

#### **Derecognition of financial liabilities**

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

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

#### **Offsetting of financial instruments**

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

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Cash and cash equivalents

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

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

### Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### Provisions

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

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

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

Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within finance costs in the statement of profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure. Additional disturbances or changes in estimates will be recognised as additions or changes to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax (continued)

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

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

### Revenue recognition

#### *Revenue from contracts with customers*

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

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

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

#### *Sale of goods*

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

### Other Income

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

Income from the rental of production machinery is recognised on a time proportion basis over the lease terms.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Government grants**

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

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

#### **Contract liabilities**

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

#### **Other employee benefits**

##### *Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the subsidiaries in Mainland China are required to participate in a defined central pension scheme managed by the local municipal government of the areas in Mainland China in which they operate. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

##### *Housing fund*

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

#### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

These financial statements are presented in RMB. The functional currency of the Company is the Hong Kong dollar ("HKD"). The Company's presentation currency is RMB because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

## NOTES TO FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING ESTIMATES

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

#### Judgement

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

##### *Judgement in determining the useful life of a mining right*

The Group has a mining right which represents the right for the mining of marble reserves at the Yiduoyan mine which is located in Nanzhang County, Hubei Province, the PRC. The existing mining permit was expired on 30 December 2021. The Group applies the judgement in evaluating whether the renewal of the mining permit in a term of ten-year will be approved or not. That is, it considers all relevant factors that create an advantage for the successful application.

The Group received a letter from the PRC government department (the "**Letter**") stating that they accepted the Group's application for renewal and were accelerating the renewal process and assured that the renewal procedures would be completed by 30 June 2022. However, due to the impact of the ongoing COVID-19 pandemic, the permit renewal process was further delayed.

On 25 July 2022, the Natural Resources and Planning of Nanzhang County Bureau\* (南漳縣自然資源和規劃局) (the "**Bureau**") published a PRC assessment report showing the additional resources fee of the Yidouyan Project is approximately RMB98.7 million.

On 2 September 2022, a meeting was held by the People's Government of Nanzhang\* (南漳縣人民政府) and the renewal of the mining permit was principally agreed by the Nanzhang County Natural Resources Management Committee\* (南漳縣自然資源管理委員會). Further administrative procedures were required to complete the renewal process.

However, due to the spread of the new wave of COVID-19 pandemic in the fourth quarter of 2022, the renewal procedure was once again affected.

After reviewing the Letter, PRC assessment report, meeting minutes and conversations between Xiangyang Future Bright Mining Limited ("**XYFB**") and the Bureau, the directors of the Company accessed that the renewal processes can be completed by 31 May 2023. Due to the significance of this asset to its operation and there will be a significant negative effect on production if a renewal is not readily available, the Group includes the renewal period as part of the useful life in the mining right.

#### Estimation uncertainty

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

\* For identification purposes only

### 3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

#### Estimation uncertainty (continued)

##### *Provision for expected credit losses on trade receivables*

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

##### *Provision for expected loss on financial assets other than trade receivables*

As described in section impairment of financial assets in note 2.4, the Group's management determines the loss allowance for expected credit losses on all debt instruments not held at fair value through profit or loss based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions, all of which involve a significant degree of management judgement. The Group's management reassesses the loss allowance at each reporting period end. If the current conditions of the debtors or the future economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

##### *Leases — Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

##### *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. No impairment has been provided during the year.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

#### Estimation uncertainty (continued)

##### *Mine reserves*

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

##### *Useful lives of property, plant and equipment*

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment as at 31 December 2022 was RMB12,604,000 (2021: RMB12,857,000).

##### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax relating to recognised tax losses at 31 December 2022 was RMB4,697,000 (2021: RMB1,997,000). The amount of unrecognised tax losses at 31 December 2022 was RMB22,704,000 (2021: RMB21,060,000). Further details are contained in note 17 to the financial statements.

##### *Provision for rehabilitation*

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. The carrying amount of provision for rehabilitation as at 31 December 2022 was RMB1,535,000 (2021: RMB1,438,000).

#### 4. OPERATING SEGMENT INFORMATION

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

- (a) the marble block segment is a supplier of marble blocks mainly for further processing, construction or trading; and
- (b) the commodity trading segment conducts trading business of commodities.

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

Segment assets exclude cash and cash equivalents, equity investments at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022	Marble block RMB'000	Commodity trading RMB'000	Total RMB'000
<b>Segment revenue (note 5)</b>			
Sales to external customers	7,563	56,321	63,884
Revenue			63,884
<b>Segment results</b>	(1,051)	4,065	3,014
<i>Reconciliation:</i>			
Interest income			89
Finance costs (other than interest on lease liabilities)			(97)
Corporate and other unallocated expenses			(10,806)
Loss before tax			(7,800)
<b>Segment assets</b>	34,167	21,811	55,978
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(18,586)
Corporate and other unallocated assets			36,694
Total assets			74,086
<b>Segment liabilities</b>	24,344	706	25,050
<i>Reconciliation:</i>			
Elimination of intersegment payables			(18,586)
Corporate and other unallocated liabilities			17,079
Total liabilities			23,543

Year ended 31 December 2022	Marble block RMB'000	Commodity trading RMB'000	Unallocated RMB'000	Total RMB'000
<b>Other segment information:</b>				
Bad debts written off	5,524	—	—	5,524
Depreciation	337	25	1,907	2,269
Capital expenditure*	—	230	—	230
Reversal of impairment losses of other receivables recognised in the statement of profit or loss, net	(540)	—	—	(540)
Reversal of impairment losses of trade receivables recognised in the statement of profit or loss, net	(5,524)	—	—	(5,524)

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

**4. OPERATING SEGMENT INFORMATION (continued)**

Year ended 31 December 2021	Marble block RMB'000	Commodity trading RMB'000	Total RMB'000
<b>Segment revenue (note 5)</b>			
Sales to external customers	24,667	—	24,667
Revenue			<u>24,667</u>
<b>Segment results</b>	3,266	(711)	2,555
<i>Reconciliation:</i>			
Interest income			58
Finance costs (other than interest on lease liabilities)			(91)
Corporate and other unallocated expenses			<u>(6,404)</u>
Loss before tax			<u>(3,882)</u>
<b>Segment assets</b>	39,420	18,328	57,748
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(18,067)
Corporate and other unallocated assets			<u>27,634</u>
Total assets			<u>67,315</u>
<b>Segment liabilities</b>	23,669	579	24,248
<i>Reconciliation:</i>			
Elimination of intersegment payables			(18,067)
Corporate and other unallocated liabilities			<u>3,468</u>
Total liabilities			<u>9,649</u>

Year ended 31 December 2021	Marble block RMB'000	Commodity trading RMB'000	Unallocated RMB'000	Total RMB'000
<b>Other segment information:</b>				
Bad debts written off	—	12	—	12
Depreciation and amortisation	1,532	2	1,183	2,717
Capital expenditure*	197	—	7	204
Impairment losses of other receivables recognised in the statement of profit or loss, net	540	—	—	540
Reversal of impairment losses of trade receivables recognised in the statement of profit or loss, net	—	(12)	—	(12)

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 4. OPERATING SEGMENT INFORMATION (continued)

#### Geographical information

(a) Revenue from external customers

	2022 RMB'000	2021 RMB'000
Mainland China	<u>63,884</u>	<u>24,667</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2022 RMB'000	2021 RMB'000
Hong Kong	4,794	1,079
Mainland China	<u>33,572</u>	<u>32,989</u>
	<u>38,366</u>	<u>34,068</u>

The non-current assets information above is based on the locations of the assets.

#### Information about major customers

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

	2022 RMB'000	2021 RMB'000
Customer A	—	4,966
Customer B	—	3,102
Customer C	<u>10,670</u>	<u>—</u>

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
<i>Revenue from contracts with customers</i>		
Sale of goods	63,884	24,667

### Revenue from contracts with customers

(i) *Disaggregated revenue information*

**For the year ended 31 December 2022**

Segments	Marble block RMB'000	Commodity trading RMB'000	Total RMB'000
<b>Type of goods</b>			
Sale of marble blocks	7,563	—	7,563
Sale of coals	—	56,321	56,321
	7,563	56,321	63,884
<b>Geographical markets</b>			
Mainland China	7,563	56,321	63,884
	7,563	56,321	63,884
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	7,563	56,321	63,884
	7,563	56,321	63,884

For the year ended 31 December 2021

Segments	Marble block RMB'000	Commodity trading RMB'000	Total RMB'000
<b>Type of goods</b>			
Sale of marble blocks	24,667	—	24,667
<b>Geographical markets</b>			
Mainland China	24,667	—	24,667
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	24,667	—	24,667
	24,667	—	24,667

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

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

(i) *Disaggregated revenue information (continued)*

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

#### For the year ended 31 December 2022

Segments	Marble block RMB'000	Commodity trading RMB'000	Total RMB'000
<b>Revenue from contracts with customers</b>			
External customers	<u>7,563</u>	<u>56,321</u>	<u>63,884</u>
Total revenue from contracts with customers	<u><u>7,563</u></u>	<u><u>56,321</u></u>	<u><u>63,884</u></u>

#### For the year ended 31 December 2021

Segments	Marble block RMB'000	Commodity trading RMB'000	Total RMB'000
<b>Revenue from contracts with customers</b>			
External customers	<u>24,667</u>	<u>—</u>	<u>24,667</u>
Total revenue from contracts with customers	<u><u>24,667</u></u>	<u><u>—</u></u>	<u><u>24,667</u></u>

There was no revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods.

**5. REVENUE, OTHER INCOME AND GAINS (continued)****Revenue from contracts with customers (continued)***(ii) Performance obligations*

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

**Sale of marble blocks**

The performance obligation is satisfied upon delivery of the marble blocks and payment is generally due within 30 to 240 days from delivery, except for new customers, where payment in advance is normally required.

**Sale of coals**

The performance obligation is satisfied upon delivery of the coals and payment is generally received in advance for all customers.

There were no transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022.

	2022 RMB'000	2021 RMB'000
<b>Other income</b>		
Bank interest income	89	58
Government grants	120	—
Rental of production machinery	—	2,286
Others	282	121
	<u>491</u>	<u>2,465</u>
<b>Gains</b>		
Foreign exchange differences, net	—	663
	<u>491</u>	<u>3,128</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 6. LOSS BEFORE TAX

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

	2022 RMB'000	2021 RMB'000
Cost of inventories sold	55,309	21,138
Staff costs (including directors' remuneration (note 8)):		
Wages and salaries	5,341	3,448
Pension scheme contributions	497	194
	<u>5,838</u>	<u>3,642</u>
Auditor's remuneration		
– Audit services	941	880
Amortisation of other intangible assets* (note 16)	–	614
Amortisation of long-term prepayments* (note 15)	–	81
Bad debts written off (note 19)	5,524	12
Depreciation of items of property, plant and equipment* (note 13)	502	1,067
Depreciation of right-of-use assets (note 14)	1,767	955
Foreign exchange differences, net	2,086	(663)
Losses on changes in fair value of financial assets at fair value through profit or loss:		
– Unrealised fair value losses of financial assets at fair value through profit or loss	33	168
– Losses on disposal of financial assets at fair value through profit or loss	–	22
	<u>33</u>	<u>190</u>
Reversal of impairment losses of trade receivables (note 19)	(5,524)	(12)
(Reversal of impairment losses)/impairment losses of other receivables (note 20)	(540)	540
Lease payments not included in the measurement of lease liabilities (note 14)	11	48
Written off of property, plant and equipment (note 13)	4	78
	<u>          </u>	<u>          </u>

\* The amortisation of other intangible assets, long-term prepayments and partial depreciation of property, plant and equipment for the year and prior year is included in "Cost of inventories sold" in the consolidated statement of profit or loss or "Inventories" in the consolidated statement of financial position.

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on discounted provision for rehabilitation (note 26)	97	91
Interest on lease liabilities (note 14)	218	89
	<u>315</u>	<u>180</u>

**8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION**

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

	2022 RMB'000	2021 RMB'000
Fees	411	400
Other emoluments:		
Salaries, allowances and benefits in kind	1,366	726
Pension scheme contributions	31	8
	<u>1,808</u>	<u>1,134</u>

**(a) Independent non-executive directors**

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

	Notes	2022 RMB'000	2021 RMB'000
Mr. Chen Xun	a	40	100
Prof. Lau Chi Pang J.P.		103	100
Ms. Liu Shuyan		103	100
Mr. Wang Xiaolong	b	62	—
Mr. Zhang Yijun		103	100
		<u>411</u>	<u>400</u>

There were no emoluments payable to the independent non-executive directors during the year (2021: Nil).

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (continued)

#### (b) Executive directors and chief executives:

	Notes	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>2022</b>				
Executive directors:				
Mr. Li Yuguo	c	103	—	103
Mr. Liu Jiang	d	40	2	42
Mr. Liu Yan Chee James		103	5	108
Mr. Lyu Bin		319	—	319
Ms. Wang Ruoxi	e	308	15	323
Mr. Yang Jiantong	f	187	—	187
Mr. Yang Xiaoqiang		103	—	103
		<u>1,163</u>	<u>22</u>	<u>1,185</u>
Chief executives:				
Mr. Bao Xuefeng	g	203	9	212
Mr. Li Yuguo	c	—	—	—
		<u>1,366</u>	<u>31</u>	<u>1,397</u>

	Notes	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>2021</b>				
Executive directors:				
Mr. Li Yuguo	c	100	—	100
Mr. Liu Jiang	d	26	1	27
Mr. Liu Yan Chee James		100	5	105
Mr. Lyu Bin		315	—	315
Ms. Wang Ruoxi	e	32	2	34
Mr. Yang Xiaoqiang		100	—	100
Ms. Yang Xiaoqiu	h	53	—	53
		<u>726</u>	<u>8</u>	<u>734</u>
Chief executive:				
Mr. Li Yuguo	c	—	—	—
		<u>726</u>	<u>8</u>	<u>734</u>

## 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (continued)

Notes:

- (a) Mr. Chen Xun resigned as an independent non-executive director on 23 May 2022.
- (b) Mr. Wang Xiaolong was appointed as an independent non-executive director on 23 May 2022.
- (c) Mr. Li Yuguo was resigned as the chief executive officer on 23 May 2022.
- (d) Mr. Liu Jiang was resigned as an executive director on 23 May 2022.
- (e) Ms. Wang Ruoxi was appointed as an executive director on 3 November 2021.
- (f) Mr. Yang Jiantong was appointed as an executive director on 23 May 2022.
- (g) Mr. Bao Xuefeng was appointed as the chief executive officer on 23 May 2022.
- (h) Ms. Yang Xiaoqiu resigned as an executive director on 14 July 2021.

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

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2021: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2021: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	1,482	1,640
Pension scheme contributions	72	81
	<u>1,554</u>	<u>1,721</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 9. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees	
	2022	2021
Nil to HKD1,000,000	2	3
HKD1,000,001 to HKD1,500,000	1	1
	<u>3</u>	<u>4</u>

During the year ended 31 December 2022, none of them was paid by the Group to one of the five highest paid individuals as termination benefits (2021: Nil).

### 10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No Hong Kong profits tax is provided as there is no estimated assessable profit for the year (2021: Nil).

Provision for the PRC corporate income tax ("CIT") is based on the CIT rate applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC. The Group's subsidiaries located in Mainland China were generally subject to the PRC CIT at the rate of 25%, except for subsidiaries which are eligible as Small Low-profit Enterprise\* (小型微利企業). From 1 January 2022, a Small Low-profit Enterprise with an annual taxable profit of less than RMB1 million, is subject to CIT calculated at 12.5% (2021: 25%) of its taxable profit at a tax rate of 20%; for annual taxable profit within RMB1 million to RMB3 million, is subject to CIT calculated at 25% (2021: 50%) of its taxable profit at a tax rate of 20%. During the year ended 31 December 2022, no subsidiary (2021: one subsidiary) is subject to the relevant preferential tax treatments.

	2022 RMB'000	2021 RMB'000
Current — Mainland China		
Charge for the year	1,079	24
(Over-provision)/under-provision in prior years	(1)	2
Deferred		
Charge/(credit) for the year (note 17)	53	(1,219)
Total tax expense/(credit) for the year	<u>1,131</u>	<u>(1,193)</u>

\* For identification purposes only

**10. INCOME TAX (continued)**

A reconciliation of income tax expense/(credit) applicable to loss before tax at the applicable income tax rate in the PRC to income tax expense/(credit) of the Group at the effective tax rate is as follows:

	2022 RMB'000	2021 RMB'000
Loss before tax	<u>(7,800)</u>	<u>(3,882)</u>
Tax at the PRC tax rate of 25% (2021: 25%)	<b>(1,950)</b>	(970)
Tax effect of different taxation rates in other tax jurisdictions	<b>923</b>	563
Expenses not deductible for tax	<b>2,089</b>	1,251
Income not subject to tax	—	(1,729)
Tax reduction	—	(209)
Tax losses not recognised	<b>41</b>	121
Temporary differences recognised from previous year	<b>31</b>	(219)
Tax effect of temporary differences not recognised	<b>(2)</b>	(3)
(Over-provision)/under-provision of prior years income tax	<u><b>(1)</b></u>	<u>2</u>
Income tax expense/(credit) at the Group's effective rate	<u><b>1,131</b></u>	<u>(1,193)</u>

## NOTES TO FINANCIAL STATEMENTS

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### 11. DIVIDENDS

The board of directors does not recommend the payment of dividends to the ordinary equity holders of the Company for the year ended 31 December 2022 (2021: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 877,716,000 (2021: 877,716,000 (Restated)) in issue during the year.

The basic and diluted loss per share are the same as there is no potentially dilutive ordinary shares in issue for the year (2021: Nil).

The calculation of basic loss per share is based on:

	2022 RMB'000	2021 RMB'000
<b>Loss</b>		
Loss attributable to ordinary equity holders of the Company used in the basic loss per share calculation	<u>(8,867)</u>	<u>(2,491)</u>
	Number of shares	
	2022	2021 (Restated)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>877,716,000</u>	<u>877,716,000</u>

On 2 September 2022, every five issued and unissued ordinary shares were consolidated into one share of the Company. Comparative figures of the weighted average number of shares for calculating basic loss per share and diluted loss per share have been adjusted as if the share consolidation have been effective on 1 January 2021. Accordingly, the basic and diluted loss per share for the year ended 31 December 2021 have been restated.

**13. PROPERTY, PLANT AND EQUIPMENT**

	Buildings and improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mine infrastructure RMB'000	Total RMB'000
<b>31 December 2022</b>						
<b>Cost:</b>						
At 31 December 2021 and at 1 January 2022						
Cost or valuation	557	3,247	689	2,516	20,113	27,122
Accumulated depreciation and impairment	(545)	(3,097)	(546)	(2,077)	(8,000)	(14,265)
Net carrying amount	12	150	143	439	12,113	12,857
At 1 January 2022, net of accumulated depreciation and impairment						
	12	150	143	439	12,113	12,857
Additions	15	–	27	188	–	230
Written off	–	–	(4)	–	–	(4)
Depreciation provided during the year	(5)	(121)	(122)	(254)	–	(502)
Exchange realignment	1	–	4	18	–	23
At 31 December 2022, net of accumulated depreciation and impairment	23	29	48	391	12,113	12,604
At 31 December 2022:						
Cost or valuation	573	3,247	756	2,810	20,113	27,499
Accumulated depreciation and impairment	(550)	(3,218)	(708)	(2,419)	(8,000)	(14,895)
Net carrying amount	23	29	48	391	12,113	12,604

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings and improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mine infrastructure RMB'000	Total RMB'000
<b>31 December 2021</b>						
<b>Cost:</b>						
At 31 December 2020 and at 1 January 2021						
Cost or valuation	774	3,247	679	2,411	20,113	27,224
Accumulated depreciation and impairment	(666)	(2,865)	(376)	(1,877)	(7,625)	(13,409)
Net carrying amount	<u>108</u>	<u>382</u>	<u>303</u>	<u>534</u>	<u>12,488</u>	<u>13,815</u>
At 1 January 2021, net of accumulated depreciation and impairment						
	108	382	303	534	12,488	13,815
Additions	7	—	59	138	—	204
Written off	(75)	—	(3)	—	—	(78)
Depreciation provided during the year	(27)	(232)	(211)	(222)	(375)	(1,067)
Exchange realignment	(1)	—	(5)	(11)	—	(17)
At 31 December 2021, net of accumulated depreciation and impairment	<u>12</u>	<u>150</u>	<u>143</u>	<u>439</u>	<u>12,113</u>	<u>12,857</u>
At 31 December 2021:						
Cost or valuation	557	3,247	689	2,516	20,113	27,122
Accumulated depreciation and impairment	(545)	(3,097)	(546)	(2,077)	(8,000)	(14,265)
Net carrying amount	<u>12</u>	<u>150</u>	<u>143</u>	<u>439</u>	<u>12,113</u>	<u>12,857</u>

As at 31 December 2022, the directors of the Company performed impairment assessment on the non-financial assets of the marble block segment, which was a cash-generating unit (“CGU”) containing property, plant and equipment, right-of-use assets, and other intangible assets of XYFB. The impairment loss will be allocated to reduce the carrying value of the assets of within the CGU pro rata on the basis of carrying amount of each asset in the unit.

### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Marble block CGU

The recoverable amount of the marble block CGU was determined based on multi period excess earnings method which uses sum of discounted present value of the projected annual excess earnings. As at 31 December 2022, the recoverable amount of the marble block CGU is referenced to valuation report issued by AP Appraisal Limited, an independent qualified valuer. This valuation uses cash flow projections based on financial estimates covering a ten-year period.

The key assumptions and discount rate used in the annual excess earnings calculation are as follows:

	2022	2021
Sales volume growth rate	5%-185.7%	10%-76.56%
Average unit price growth rate	1%-3%	1%-2%
Pre-tax discount rate	14%	14%

The sales volume and average unit price growth rate are based on the management's past experience and expectations on future changes in market.

The pre-tax discount rate are used that reflect current market assessments of the time value of money and the risk specific to the CGU.

In the opinion of the Company's directors, the carrying amount of the cash-generating unit had not exceeded its recoverable amount and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

As at 31 December 2022, no impairment loss (2021: Nil) was provided for the property, plant and equipment associated with the marble block CGU.

### 14. LEASES

#### The Group as a lessee

The Group has lease contracts for office premises with lease periods of 1 to 3 years. Lump sum payments were made upfront to acquire the leased forest land from the owners with lease periods of 55 to 70 years, and no ongoing payments will be made under the terms of these forest land leases. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 14. LEASES (continued)

#### The Group as a lessee (continued)

(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:

	Forest lease payments RMB'000	Office premises RMB'000	Total RMB'000
As at 1 January 2022	506	832	1,338
Additions	550	5,539	6,089
Depreciation provided	(11)	(1,756)	(1,767)
Exchange realignment	—	229	229
As at 31 December 2022	<u>1,045</u>	<u>4,844</u>	<u>5,889</u>

	Forest lease payments RMB'000	Office premises RMB'000	Total RMB'000
As at 1 January 2021	210	645	855
Additions	300	1,153	1,453
Depreciation provided	(4)	(951)	(955)
Exchange realignment	—	(15)	(15)
As at 31 December 2021	<u>506</u>	<u>832</u>	<u>1,338</u>

As at 31 December 2022, the directors of the Company performed impairment assessment on the right-of-use assets of the marble block segment. In the opinion of the Company's directors, no impairment loss (2021: Nil) should be provided. Please refer to note 13 for major underlying assumptions.

**14. LEASES (continued)****The Group as a lessee (continued)***(b) Lease liabilities*

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

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	822	523
New leases	6,089	1,453
Accretion of interest recognised during the year	218	89
Payment	(2,344)	(1,228)
Exchange realignment	242	(15)
	<u>5,027</u>	<u>822</u>
Carrying amount at 31 December	<u>5,027</u>	<u>822</u>
Analysed into:		
Current portion	3,281	692
Non-current portion	1,746	130
	<u>5,027</u>	<u>822</u>

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities (note 7)	218	89
Depreciation charge of right-of-use assets	1,767	955
Expenses relating to short-term leases (included in administrative expenses)	11	48
	<u>1,996</u>	<u>1,092</u>
Total amount recognised in profit or loss	<u>1,996</u>	<u>1,092</u>

## NOTES TO FINANCIAL STATEMENTS

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### 15. LONG-TERM PREPAYMENTS

	Farmland occupation tax	
	2022 RMB'000	2021 RMB'000
Cost at 1 January, net of accumulated amortisation and impairment	—	81
Amortisation provided during the year	—	(81)
At 31 December	—	—
At 31 December:		
Cost	—	—
Accumulated amortisation and impairment	—	—
Net carrying amount	—	—

As at 31 December 2021, the directors of the Company performed impairment assessment on the long-term prepayments of the marble block segment.

### 16. OTHER INTANGIBLE ASSETS

	Mining right	
	2022 RMB'000	2021 RMB'000
Cost at 1 January, net of accumulated amortisation	19,873	20,487
Amortisation provided during the year	—	(614)
At 31 December	19,873	19,873
At 31 December:		
Cost	42,600	42,600
Accumulated amortisation and impairment	(22,727)	(22,727)
Net carrying amount	19,873	19,873

The mining right represents the right for the mining of marble reserves at the Yiduoyan mine which is located in Nanzhang County, Hubei Province, the PRC. The mine is operated by XYFB, an indirect wholly-owned subsidiary of the Company. The local government has granted the mining permit to XYFB for a term of 10 years from 30 December 2011 to 30 December 2021 with a production capacity of 20,000 cubic metres per annum.

## 16. OTHER INTANGIBLE ASSETS (continued)

In June 2020 and June 2021, XYFB has submitted applications to the Bureau for (i) enhancing the annual production capacity of the Yiduoyan Project to 200,000 cubic metres per annum; and (ii) renewing the mining permit.

On 17 December 2021, the Company received the Letter from the Bureau regarding the renewal status of the mining permit. The Letter shows that the application has been received and no violation of laws or regulations is identified when reviewing the application. It also stated that the relevant government departments were accelerating the renewal process and assured the procedures would be completed by 30 June 2022. Also, according to the Letter, during the renewal period of the mining permit, normal business activities of XYFB can be continued in accordance with the law of the PRC. However, due to the impact of the ongoing COVID-19 pandemic, the permit renewal process was further delayed.

On 25 July 2022, the Bureau published a PRC assessment report showing the additional resources fee of the Yidouyan Project is approximately RMB98.7 million.

On 2 September 2022, a meeting was held by the People's Government of Nanzhang\* (南漳縣人民政府) and the renewal of the mining permit was principally agreed by the Nanzhang County Natural Resources Management Committee\* (南漳縣自然資源管理委員會). Further administrative procedures were required to complete the renewal process.

After reviewing the Letter, PRC assessment report, meeting minutes and conversations between XYFB and the Bureau, the directors of the Company assessed that the renewal processes can be completed by 31 May 2023.

As at 31 December 2022, the directors of the Company performed impairment assessment on the other intangible assets of the marble block segment. In the opinion of the Company's directors, no impairment loss (2021: Nil) should be provided. Please refer to note 13 for major underlying assumptions.

\* For identification purposes only

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 17. DEFERRED TAX

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

#### Deferred tax liabilities

	2022					Total RMB'000
	Depreciation difference of property, plant and equipment between IFRSs and PRC tax regulations RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Right-of-use assets RMB'000	Prepayments RMB'000		
At 31 December 2021 and 1 January 2022	2,820	4,968	163	–		7,951
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(678)	–	138	44		(496)
Gross deferred tax liabilities at 31 December 2022	<u>2,142</u>	<u>4,968</u>	<u>301</u>	<u>44</u>		<u>7,455</u>

#### Deferred tax assets

	2022								Total RMB'000
	Impairment of financial assets RMB'000	Lease liabilities RMB'000	Loss available for offsetting against future taxable profits RMB'000	Trade payables RMB'000	Inventories RMB'000	Prepayments RMB'000	Other assets RMB'000	Accruals RMB'000	
At 31 December 2021 and 1 January 2022	1,516	21	1,997	153	2,583	5	–	–	6,275
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	(1,516)	–	2,700	(153)	(2,231)	(5)	457	199	(549)
Gross deferred tax assets at 31 December 2022	<u>–</u>	<u>21</u>	<u>4,697</u>	<u>–</u>	<u>352</u>	<u>–</u>	<u>457</u>	<u>199</u>	<u>5,726</u>

**17. DEFERRED TAX (continued)****Deferred tax liabilities**

	2021			
	Depreciation difference of property, plant and equipment between IFRSs and PRC tax regulations RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021	—	5,115	134	5,249
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	2,820	(147)	29	2,702
Gross deferred tax liabilities at 31 December 2021	<u>2,820</u>	<u>4,968</u>	<u>163</u>	<u>7,951</u>

**Deferred tax assets**

	2021							
	Depreciation difference of property, plant and equipment between IFRSs and PRC tax regulations RMB'000	Impairment of financial assets RMB'000	Lease liabilities RMB'000	Loss available for offsetting against future taxable profits RMB'000	Trade payables RMB'000	Inventories RMB'000	Prepayments RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021	901	1,381	72	—	—	—	—	2,354
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	(901)	135	(51)	1,997	153	2,583	5	3,921
Gross deferred tax assets at 31 December 2021	<u>—</u>	<u>1,516</u>	<u>21</u>	<u>1,997</u>	<u>153</u>	<u>2,583</u>	<u>5</u>	<u>6,275</u>

Deferred tax assets and liabilities related to the PRC subsidiaries have been provided at an enacted CIT rate of 25%.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 17. DEFERRED TAX (continued)

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

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	—	—
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>1,729</u>	<u>1,676</u>
	<u>1,729</u>	<u>1,676</u>

Deferred tax assets have not been recognised in respect of the following items:

	2022 RMB'000	2021 RMB'000
Tax losses	<u>22,704</u>	<u>21,060</u>

Deferred tax assets have not been recognised in respect of tax losses amounting to RMB22,704,000 and RMB21,060,000 as at 31 December 2022 and 31 December 2021, respectively. The tax losses amounting to RMB4,845,000 as at 31 December 2022 (2021: RMB4,714,000) will expire within the next 5 years for offsetting against future taxable profits. The tax losses of RMB17,859,000 as at 31 December 2022 (2021: RMB16,346,000) are available indefinitely for offsetting against future taxable profits in Hong Kong. Deferred tax assets have not been recognised as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors.

The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Pursuant to the resolution of the board of directors of the Company, the profits generated from the PRC subsidiaries since 1 January 2008 onwards will be retained by the PRC subsidiaries for use in future operations or investments in Mainland China. In the opinion of the directors, it is not probable that the PRC subsidiaries will distribute such earnings in the foreseeable future. There were no temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised (2021: Nil).

**18. INVENTORIES**

	2022 RMB'000	2021 RMB'000
Finished goods	421	3,087
Materials and supplies	114	—
	<u>535</u>	<u>3,087</u>

**19. TRADE RECEIVABLES**

	2022 RMB'000	2021 RMB'000
Trade receivables	—	5,524
Impairment	—	(5,524)
	<u>—</u>	<u>—</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to eight months for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are interest-free.

There was no balance of trade receivables, net of loss allowance, as at 31 December 2022 (2021: nil) and therefore no ageing analysis is presented thereon.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 19. TRADE RECEIVABLES (continued)

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

	2022 RMB'000	2021 RMB'000
At beginning of year	5,524	5,536
Reversal of impairment losses	<u>(5,524)</u>	<u>(12)</u>
At end of year	<u>—</u>	<u>5,524</u>

For the year ended 31 December 2022, trade receivables of RMB5,524,000 (2021: RMB12,000) with a full impairment were written off as bad debts against the Group's loss for the year. As a result of the bad debts written off, there was a decrease of RMB5,524,000 (2021: RMB12,000) in the loss allowance.

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 each customer. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

#### As at 31 December 2022

	Current	Less than 1-year	Past due 1 to 2 years	Over 2 years	Total
Expected credit loss rate	4.49%	10.09%	17.54%	100.00%	100.00%
Gross carrying amount (RMB'000)	—	—	—	—	—
Expected credit losses (RMB'000)	—	—	—	—	—

#### As at 31 December 2021

	Current	Less than 1-year	Past due 1 to 2 years	Over 2 years	Total
Expected credit loss rate	4.49%	10.09%	17.54%	100.00%	100.00%
Gross carrying amount (RMB'000)	—	—	—	5,524	5,524
Expected credit losses (RMB'000)	—	—	—	5,524	5,524

**20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	2022 RMB'000	2021 RMB'000
Prepayments	609	545
Deposits and other receivables	<u>3,251</u>	<u>4,050</u>
	<b>3,860</b>	4,595
Impairment	<u>—</u>	<u>(540)</u>
	<u><b>3,860</b></u>	<u>4,055</u>

The movements in the loss allowance of other receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	540	—
(Reversal of impairment losses)/impairment losses	<u>(540)</u>	<u>540</u>
At end of year	<u>—</u>	<u>540</u>

Deposits and other receivables mainly represent rental deposits, receivable of refund from a supplier and other tax recoverables.

The Group paid deposits of RMB9,400,000 for acquisition of machinery during the year ended 31 December 2020. Due to the outbreak of COVID-19, the contract was terminated and the supplier agreed to refund the aforesaid deposits as per time schedule agreed. However, during the year ended 31 December 2021, the supplier was unable to settle the amount as per original time schedule, the management considered the risk of irrecoverable balance has significantly increased, a loss allowance of RMB540,000 was provided on the remaining balance of RMB3,400,000.

On 10 January 2022, the supplier sent a letter to the Group to request for updating the repayment schedule. According to the updated repayment schedule provided by the supplier, RMB1,000,000 was repaid in January 2022 and RMB600,000 will be repaid on every subsequent months until the remaining balance is fully settled.

During the year ended 31 December 2022, the balance was fully settled and the related loss allowance of RMB540,000 was reversed.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Listed equity investments, at fair value	92	116
Other investments, at fair value	10	—
	<u>102</u>	<u>116</u>

The above equity investments and other investments were classified as financial assets at fair value through profit or loss as they were held for trading.

### 22. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	<u>31,223</u>	<u>25,989</u>

At the end of the reporting period, the cash and bank balances of the Group denominated in HKD amounted to RMB1,229,000 (2021: RMB3,018,000). 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. The bank balances are deposited with creditworthy banks with no recent history of default.

### 23. TRADE PAYABLES

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

	2022 RMB'000	2021 RMB'000
Within 3 months	—	612
Over 3 months	485	444
	<u>485</u>	<u>1,056</u>

The trade payables are interest-free and normally settled within 60 days.

**24. OTHER PAYABLES AND ACCRUALS**

	Notes	2022 RMB'000	2021 RMB'000
Payroll accruals		286	298
Other payables	(a)	369	357
Accruals		1,918	1,042
Contract liabilities	(b)	2,960	2,960
		<u>5,533</u>	<u>4,657</u>

Notes:

(a) Other payables are unsecured, interest-free and repayable on demand.

(b) Details of contract liabilities are as follows:

	2022 RMB'000	2021 RMB'000
<i>Advances received from customers</i>		
Sale of marble blocks	2,960	2,960
Total contract liabilities	<u>2,960</u>	<u>2,960</u>

Contract liabilities include advance payment from customers.

**25. SHORT-TERM BORROWINGS**

	2022 RMB'000	2021 RMB'000
Short-term borrowings – unsecured	<u>7,727</u>	<u>—</u>

On 15 June 2022, Main Pacific Investment Limited (“**Main Pacific**”) and an independent third party signed a borrowing agreement that the third party granted a borrowing facility of HKD10,000,000 to Main Pacific. The borrowings are unsecured, interest-free, repayable on 14 February 2023 and denominated in HKD.

During the year, the Group has drawn HKD8,650,000 (equivalent to RMB7,727,000).

On 15 February 2023, the two parties signed a supplementary borrowing agreement that the borrowing facility increased to HKD20,000,000 and the borrowings became interest bearing at 5% per annum since 15 February 2023 and repayable on 14 November 2023.

## NOTES TO FINANCIAL STATEMENTS

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### 26. PROVISION FOR REHABILITATION

	2022 RMB'000	2021 RMB'000
At the beginning of year	1,438	1,347
Unwinding of discount (note 7)	97	91
At the end of year	<u>1,535</u>	<u>1,438</u>

A provision for rehabilitation is mainly recognised for the present value of estimated costs to be incurred for the restoration of tailing ponds and the removal of the processing plants in complying with the Group's obligations for the closure and environmental restoration and clean-up on completion of the Group's mining activities. These costs are expected to be incurred on mine closure, based on the estimated rehabilitation expenditures at the mine when the mining permit expires, and are discounted at a discount rate of 6.55%. Changes in assumptions could significantly affect these estimates. Over time, the discounted provision is increased for the change in present value based on the discount rate that reflects market assessments and risks specific to the provision. The periodic unwinding of the discount is recognised in profit or loss as part of the interest expenses.

### 27. SHARE CAPITAL

#### Shares

	2022 RMB'000	2021 RMB'000
Issued and fully paid:		
877,716,000 ordinary shares of HK\$0.005 each (2021: 4,388,580,000 ordinary shares of HK\$0.001 each)	<u>3,524</u>	<u>3,524</u>

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

	Number of shares in issue	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022	4,388,580,000	3,524	130,899	134,423
Share Consolidation (Note)	<u>(3,510,864,000)</u>	—	—	—
At 31 December 2022	<u>877,716,000</u>	<u>3,524</u>	<u>130,899</u>	<u>134,423</u>

Note: On 2 September 2022, every five issued and unissued ordinary shares were consolidated into one consolidated share.

## 28. RESERVES

The amounts of the Group's reserves and the movements therein for the current year and prior years are presented in the consolidated statement of changes in equity on page 55 of the financial statements.

### Capital reserve

The capital reserve represents the capital contribution from the shareholders of Gold Title Investments Limited ("**Gold Title**") prior to the incorporation of the Company and the capital contribution from the shareholders of the Company.

### Contributed reserve

The Group's contributed reserve mainly represents the excess of (a) the fair value of the identifiable net assets of FBHK and its subsidiary at the date of acquisition, over (b) the consideration paid to the former owner of FBHK who was also a shareholder of Gold Title.

### Safety fund surplus reserve

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

### Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their Boards of Directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "**SRF**") until such reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

In accordance with the relevant regulations and the articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve. After the balance of such reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the Company. The statutory surplus reserve can be utilised to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

## NOTES TO FINANCIAL STATEMENTS

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### 29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB5,539,000 (2021: RMB1,153,000) and RMB5,539,000 (2021: RMB1,153,000), respectively, in respect of lease arrangements for office premises.

#### (b) Changes in liabilities arising from financing activities

##### 2022

	Lease liabilities RMB'000	Short-term borrowings RMB'000	Total RMB'000
At 1 January 2022	822	—	822
Changes from financing cash flows	(2,126)	7,402	5,276
New leases	6,089	—	6,089
Foreign exchange movement	242	325	567
Interest expense	218	—	218
Interest paid classified as operating cash flows	(218)	—	(218)
At 31 December 2022	<u>5,027</u>	<u>7,727</u>	<u>12,754</u>

##### 2021

	Lease liabilities RMB'000	Short-term borrowings RMB'000	Total RMB'000
At 1 January 2021	523	—	523
Changes from financing cash flows	(1,139)	—	(1,139)
New leases	1,453	—	1,453
Foreign exchange movement	(15)	—	(15)
Interest expense	89	—	89
Interest paid classified as operating cash flows	(89)	—	(89)
At 31 December 2021	<u>822</u>	<u>—</u>	<u>822</u>

#### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	218	89
Within financing activities	<u>2,126</u>	<u>1,139</u>
	<u>2,344</u>	<u>1,228</u>

### 30. CONTINGENT LIABILITIES

On 2 January 2021, a loan agreement was signed between East Pacific Investment Limited (“**East Pacific**”), a non wholly-owned subsidiary of the Company, and an independent third party, pursuant to which a HKD25,000,000 loan facility was provided to East Pacific (the “**Loan Facility**”). The Loan Facility is interest-free and fully secured by the shares of East Pacific. The purpose of the Loan Facility is limited to the management and operation of East Pacific. Up to the date of this report, East Pacific has not yet drawn any loan from the Loan Facility.

### 31. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	2,889	2,214
Pension scheme contributions	88	64
	<u>2,977</u>	<u>2,278</u>

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

(b) Outstanding balances with related parties

	2022 RMB'000	2021 RMB'000
Due to a director	10	—
Due to the ultimate controlling shareholder	536	—
	<u>546</u>	<u>—</u>

The balances due to a director are unsecured, interest-free, repayable on demand and denominated in RMB.

The balances due to the ultimate controlling shareholder are unsecured, interest-free, repayable on demand and denominated in HKD.

## NOTES TO FINANCIAL STATEMENTS

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### 32. FINANCIAL INSTRUMENTS BY CATEGORY

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

**2022**

*Financial assets*

	Financial assets at fair value through profit or loss – held for trading RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	102	—	102
Financial assets included in deposits and other receivables	—	3,251	3,251
Cash and cash equivalents	—	31,223	31,223
	<u>102</u>	<u>34,474</u>	<u>34,576</u>

*Financial liabilities*

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	485	485
Financial liabilities included in other payables and accruals	2,573	2,573
Short-term borrowings	7,727	7,727
Amount due to a director	10	10
Amount due to the ultimate controlling shareholder	536	536
Lease liabilities	5,027	5,027
	<u>16,358</u>	<u>16,358</u>

**32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)****2021***Financial assets*

	Financial assets at fair value through profit or loss — held for trading RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	—	—	—
Equity investments at fair value through profit or loss	116	—	116
Financial assets included in deposits and other receivables	—	3,510	3,510
Cash and cash equivalents	—	25,989	25,989
	<u>116</u>	<u>29,499</u>	<u>29,615</u>

*Financial liabilities*

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	1,056	1,056
Financial liabilities included in other payables and accruals	1,697	1,697
Lease liabilities	822	822
	<u>3,575</u>	<u>3,575</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	<u>102</u>	<u>116</u>	<u>102</u>	<u>116</u>

Management has assessed that the fair values of cash and cash equivalents, trade receivables and financial assets included in prepayments, deposits and other receivables, and financial liabilities included trade payables, other payables and accruals, short-term borrowings and amounts due to the related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments and other investments are based on quoted market prices.

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	<u>102</u>	<u>—</u>	<u>—</u>	<u>102</u>

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	<u>116</u>	<u>—</u>	<u>—</u>	<u>116</u>

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and short-term borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as deposits and other receivables, equity investments at fair value through profit or loss, trade payables, other payables and accruals and amounts due to the related parties, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### Foreign currency risk

The Group's exposure to foreign currency risk relates to the Group's bank deposits, short-term borrowings and lease liabilities denominated in HKD.

The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. Management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the needs arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ decrease in RMB rate	Increase/ (decrease) in loss before tax 2022 RMB'000	Increase/ (decrease) in loss before tax 2021 RMB'000
	%		
If RMB weakens against HKD	5%	557	(65)
If RMB strengthens against HKD	5%	(577)	65
If RMB weakens against USD	5%	24	22
If RMB strengthens against USD	5%	(24)	(22)

#### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

#### *Maximum exposure and year-end staging*

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

## NOTES TO FINANCIAL STATEMENTS

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### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Credit risk (Continued)

As at 31 December 2022

	12 months ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Financial assets included in deposits and other receivables					
— Normal**	3,251	—	—	—	3,251
— Doubtful**	—	—	—	—	—
	<u>3,251</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,251</u>

As at 31 December 2021

	12 months ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	—	—	—	—	—
Financial assets included in deposits and other receivables					
— Normal**	650	—	—	—	650
— Doubtful**	2,860	—	—	—	2,860
	<u>3,510</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,510</u>

\* For trade receivables which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

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

**34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk (Continued)**

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 19 and 20 to the financial statements respectively.

As at 31 December 2021, the Group's trade receivables were fully impaired.

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings, advances from the related parties and lease liabilities.

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

*As at 31 December 2022*

	Carrying amount RMB'000	Contractual cash flows				
		Total RMB'000	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000
Trade payables	485	485	485	—	—	—
Lease liabilities	5,027	5,352	—	977	2,585	1,790
Financial liabilities included in other payables and accruals	2,573	2,573	2,573	—	—	—
Short-term borrowings	7,727	7,727	—	7,727	—	—
Amount due to a director	10	10	10	—	—	—
Amount due to the ultimate controlling shareholder	536	536	536	—	—	—
	<b>16,358</b>	<b>16,683</b>	<b>3,604</b>	<b>8,704</b>	<b>2,585</b>	<b>1,790</b>

*As at 31 December 2021*

	Carrying amount RMB'000	Contractual cash flows				
		Total RMB'000	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000
Trade payables	1,056	1,056	444	612	—	—
Lease liabilities	822	884	—	190	562	132
Financial liabilities included in other payables and accruals	1,697	1,697	1,697	—	—	—
	<b>3,575</b>	<b>3,637</b>	<b>2,141</b>	<b>802</b>	<b>562</b>	<b>132</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which equals to its net debt (total debts net of cash and bank balances) divided by capital and net debt. Net debt includes trade payables, other payables and accruals, short-term borrowings, an amount due to a director and an amount due to the ultimate controlling shareholder, less cash and cash equivalents. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2022 RMB'000	2021 RMB'000
Trade payables	485	1,056
Other payables and accruals	2,573	1,697
Short-term borrowings	7,727	—
Amount due to a director	10	—
Amount due to the ultimate controlling shareholder	536	—
Less: Cash and cash equivalents	(31,223)	(25,989)
Net assets	(19,892)	(23,236)
Equity attributable to owners of the Company	N/A	N/A
Capital and net debt	N/A	N/A
Gearing ratio	N/A	N/A

### 35. OTHER MATTERS

During the course of the audit for the year ended 31 December 2022, it has come to the Company's attention that the Beijing branch of Shengjing Bank Co., Ltd.\* (盛京銀行股份有限公司北京分行) (the "Bank") has, on 20 May 2022, applied and obtained an order from the Security Bureau in Faku County, Shenyang, the PRC (中國瀋陽市法庫縣公安局) to freeze the registered capital in the amount of RMB10 million (the "**Subject Registered Capital**") of XYFB (representing approximately 50% of the registered capital of XYFB) held by FBHK (the "**Order**"). Both XYFB and FBHK are wholly-owned subsidiaries of the Company. Under the Order, no transfer of the Subject Registered Capital is allowed.

Based on subsequent enquiries made by the Company, the Order was made in relation to a loan dispute (the "**Loan Dispute**") involving Mr. Li Yuguo, an executive Director and a controlling shareholder of the Company, and the Bank.

As advised by the PRC legal advisers to the Company, there is currently nothing to indicate that XYFB or FBHK (i) is involved in or otherwise connected with the Loan Dispute; and (ii) has provided any form of guarantee, security or assets pledge to the Bank in relation to the Loan Dispute. Based on the information currently available, the PRC legal advisers are of the view that the Order does not have any direct impact on the normal business operations of the Group.

### 36. EVENTS AFTER THE REPORTING PERIOD

On 23 February 2023, a coal mine collapsed in Inner Mongolia and has triggered nationwide coal mine safety inspections. According to the announcement from the Ordos City Resources Bureau\* (鄂爾多斯市能源局) on 23 February 2023, the mine inspection in Ordos City area is scheduled to be completed on 31 March 2023. In the meantime, the coal mining activities of the Group's major supplier of the commodity trading segment have been temporarily suspended and the supply of coals has been affected. Up to the date of this report, the coal mining activities of this major supplier has not yet resumed.

The directors expected the coal mining activities of this major supplier will be resumed in or around April 2023. The Group will pay close attention to this issue and evaluate the impact on the result of operations, financial position, and cash flows of the Group.

\* For identification purposes only

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2022 RMB'000	2021 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	110	393
Right-of-use assets	4,684	685
Investment in subsidiaries	28,679	28,679
Total non-current assets	33,473	29,757
<b>CURRENT ASSETS</b>		
Amounts due from subsidiaries	64,082	58,715
Prepayments, deposits and other receivables	2,509	695
Cash and cash equivalents	626	2,908
Total current assets	67,217	62,318
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	1,164	1,047
Amount due to a subsidiary	6,982	—
Amount due to the ultimate controlling shareholder	536	—
Lease liabilities	3,199	609
Total current liabilities	11,881	1,656
<b>NET CURRENT ASSETS</b>	55,336	60,662
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	88,809	90,419
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	1,746	130
Total non-current liabilities	1,746	130
Net assets	87,063	90,289
<b>EQUITY</b>		
Issued capital	3,524	3,524
Reserves	83,539	86,765
Total equity	87,063	90,289

**37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)**

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Contributed reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total reserves RMB'000
At 1 January 2021	130,899	20,868	3,548	(59,624)	95,691
Loss for the year	—	—	—	(7,021)	(7,021)
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	—	—	(1,905)	—	(1,905)
Total comprehensive loss for the year	—	—	(1,905)	(7,021)	(8,926)
At 31 December 2021	<u>130,899</u>	<u>20,868</u>	<u>1,643</u>	<u>(66,645)</u>	<u>86,765</u>
At 1 January 2022	<b>130,899</b>	<b>20,868</b>	<b>1,643</b>	<b>(66,645)</b>	<b>86,765</b>
Loss for the year	—	—	—	(8,553)	(8,553)
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	—	—	5,327	—	5,327
Total comprehensive loss for the year	—	—	5,327	(8,553)	(3,226)
At 31 December 2022	<u><b>130,899</b></u>	<u><b>20,868</b></u>	<u><b>6,970</b></u>	<u><b>(75,198)</b></u>	<u><b>83,539</b></u>

The Company's contributed reserve mainly represents the excess of (a) the fair value of the identifiable net assets of FBHK and its subsidiary at the date of acquisition, over (b) the consideration paid to the former owner of FBHK, who was also a shareholder of Gold Title.

**38. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

# FINANCIAL SUMMARY

## RESULTS

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	63,884	24,667	20,248	6,136	38,746
Loss before tax	(7,800)	(3,882)	(12,891)	(25,785)	(49,766)
Income tax (expense)/credit	(1,131)	1,193	1,091	5,311	113
Loss for the year attributable to:					
Owners of the Company	(8,867)	(2,491)	(11,762)	(18,815)	(49,528)
Non-controlling interests	(64)	(198)	(38)	(1,659)	(125)
	<u>(8,931)</u>	<u>(2,689)</u>	<u>(11,800)</u>	<u>(20,474)</u>	<u>(49,653)</u>

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total assets	74,086	67,315	72,928	73,333	111,971
Total liabilities	(23,543)	(9,649)	(11,589)	(10,432)	(24,638)
Net assets	<u>50,543</u>	<u>57,666</u>	<u>61,339</u>	<u>62,901</u>	<u>87,333</u>
Equity attributable to:					
Owners of the Company	52,533	59,590	63,066	64,575	83,089
Non-controlling interests	(1,990)	(1,924)	(1,727)	(1,674)	4,244
	<u>50,543</u>	<u>57,666</u>	<u>61,339</u>	<u>62,901</u>	<u>87,333</u>