ARTGO HOLDINGS LIMITED
雅高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3313)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

RESULTS HIGHLIGHTS

- The revenue of the Group for the six months ended 30 June 2016 amounted to approximately RMB131.5 million (for the six months ended 30 June 2015: approximately RMB150.1 million), representing a decrease of approximately RMB18.6 million as compared with the corresponding period in 2015.

- The profit before tax of the Group for the six months ended 30 June 2016 amounted to approximately RMB44.7 million (for the six months ended 30 June 2015: approximately RMB51.5 million), representing a decrease of approximately RMB6.8 million.

- The basic and diluted earnings per share attributable to ordinary equity holders of the Company for the six months ended 30 June 2016 amounted to approximately RMB0.02 (for the six months ended 30 June 2015: RMB0.03), representing a decrease of approximately RMB0.01.

- The Group's net profit for the six months ended 30 June 2016 was approximately RMB32.6 million (for the six months ended 30 June 2015: approximately RMB40.1 million), representing a decrease of approximately RMB7.5 million.

The board (the "**Board**") of directors (the "**Directors**") of ArtGo Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited interim condensed financial information of the Company for the six months ended 30 June 2016 ("**Review Period**"). The Company's interim results for the Review Period have been reviewed and approved by the audit committee under the Board ("**Audit Committee**") and have been approved by the Board on 29 August 2016.

FINANCIAL INFORMATION

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**131,473**	150,142
Cost of sales		**(57,291)**	(66,566)
Gross profit		**74,182**	83,576
Other income and gains	*4*	**3,302**	13,156
Selling and distribution expenses		**(8,924)**	(14,751)
Administrative expenses		**(14,068)**	(19,936)
Other expenses		**(1,985)**	(2,478)
Finance costs	*5*	**(7,846)**	(8,041)
PROFIT BEFORE TAX	*6*	**44,661**	51,526
Income tax expense	*7*	**(12,081)**	(11,469)
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE OWNERS OF THE COMPANY FOR THE REVIEW PERIOD		**32,580**	40,057
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic and diluted	*8*	**RMB0.02**	RMB0.03

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**308,981**	65,346
Intangible assets	9	**191,539**	191,740
Prepaid land lease payments	9	**12,369**	12,502
Prepayments, deposits and other receivables	10	**15,683**	15,196
Payments in advance	10	**2,006**	1,946
Restricted deposits		**2,475**	2,312
Deferred tax assets		**9,222**	7,721
Total non-current assets		**542,335**	296,763
CURRENT ASSETS			
Inventories		**63,591**	72,622
Trade and bills receivables	11	**121,960**	63,321
Prepayments, deposits and other receivables	10	**249,576**	163,586
Pledged deposits		**42,804**	28,174
Cash and bank balances		**783,054**	861,324
Total current assets		**1,260,985**	1,189,027
CURRENT LIABILITIES			
Trade and bills payables	12	**155,206**	177,616
Other payables and accruals		**122,596**	80,769
Tax payables		**34,912**	24,326
Interest-bearing bank loans	13	**120,973**	127,600
Due to a related party	14	**25,640**	–
Total current liabilities		**459,327**	410,361
NET CURRENT ASSETS		**801,658**	778,666
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,343,993**	1,075,429

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,321**	2,322
Other payable		**–**	9,300
Deferred income	*15*	**5,585**	5,690
Provision for rehabilitation		**12,883**	12,493
Total non-current liabilities		**20,789**	29,805
Net assets		**1,323,204**	1,045,624
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**12,676**	10,492
Reserves		**1,310,528**	1,035,132
Total equity		**1,323,204**	1,045,624

NOTES:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is 16/F., Nan Fung Tower, 173 Des Voeux Road Central, Hong Kong.

During the Review Period, the Group was principally engaged in the business of mining, processing, trading and sale of marble stones. Trading products were introduced to the Group's principal activities during the Review Period.

2.1 BASIS OF PREPARATION

The unaudited interim condensed financial information for the Review Period has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting".

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the net sales of goods sold, net of various types of government surcharges.

The Group's revenue and contribution to consolidated results are mainly derived from its sale of marble and marble related products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

The following table sets forth the total revenue from external customers by product and the percentage of total revenue by product during the Review Period:

	For the six months ended 30 June			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Marble blocks	**79,788**	**60.7**	56,995	38
One-side-polished slabs	**16,315**	**12.4**	47,279	31
Cut-to-size slabs	**14,993**	**11.4**	45,868	31
Trading	**20,377**	**15.5**	–	–
	131,473	**100**	150,142	100

Geographical information

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Domestic*:		
Mainland China	**123,708**	143,395
Overseas	**7,765**	6,747
	131,473	150,142

* Place of domicile of the Group's principal subsidiaries, Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. ("**Jueshi Mining**"), Huijin Stone (Xiamen) Co., Ltd. ("**Xiamen Huijin Stone**") and ArtGo Stone (Jiangxi) Co., Ltd. ("**ArtGo Stone**") and ArtGo (Jiangsu) Technology Industrial Ltd# (雅高(江蘇)科技實業有限公司) ("**Jiangsu ArtGo**").

As at the end of the Review Period, the Group's principal non-current assets were located in Mainland China.

For identification purpose only

Information about major customers

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**34,262**	*
Customer B	**23,850**	*
Customer C	**22,721**	*
Customer D	**21,428**	*

* Less than 10% of the total revenue

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**2,366**	11,343
Governmental subsidy	**132**	1,509
Foreign exchange gains, net	**129**	124
Miscellaneous	**675**	180
Total other income and gains	**3,302**	13,156

5. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**4,013**	3,656
Interest on instalments	**825**	703
Unwinding of discount on rehabilitation	**391**	374
Interest on bills receivable discounted *(note 11)*	**2,617**	3,308
Total	**7,846**	8,041

6. PROFIT BEFORE TAX

The Group's profit before tax was arrived at after charging/(crediting):

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**57,291**	66,566
Employee benefit expense (including directors' and chief executive's remuneration)	**11,083**	23,197
Depreciation and amortisation *(note 9)*	**3,021**	3,523
Minimum lease payments under operating leases:		
— Office	**375**	2,758
— Warehouses	**4,010**	3,005
— Parcels of land located at Shangsheng Village *(note 10(a))*	**520**	409
Impairment of trade receivables *(note 11)*	**565**	1,278
Auditors' remuneration	**1,150**	1,115
Foreign exchange losses/(gains), net	**(129)**	(124)
Bank interest income *(note 4)*	**(2,366)**	(11,343)

7. INCOME TAX

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charged for the period	**13,583**	13,299
Deferred	**(1,502)**	(1,830)
Total tax charge for the Review Period	**12,081**	11,469

Notes:

(a) 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.

(b) No provision for Hong Kong profits tax has been made as the Group had no taxable profits derived from or earned in Hong Kong during the Review Period.

(c) Pursuant to the income tax rules and regulations in the PRC, the subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated during the Review Period.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of earnings per share is based on the profit attributable to owners of the Company for the Review Period of RMB32,579,000.00 (six months ended 30 June 2015: RMB40,057,000.00), and the weighted average number of ordinary shares of 1,593,334,000 (six months ended 30 June 2015: 1,333,334,000) in issue during the Review Period.

No adjustment has been made to the basic earnings per share amount presented for the Review Period and the period of the immediately preceding financial year in respect of a dilution as the exercise price of the Company's outstanding share options was higher than the average market price for the Company's shares during the Review Period and the prior period of the immediately preceding financial year.

9. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND PREPAID LAND LEASE PAYMENTS

Movements in property, plant and equipment, intangible assets and prepaid land lease payments during the Review Period are as follows:

	Property, plant and equipment *RMB'000* (Unaudited)	**Intangible assets** *RMB'000* (Unaudited)	**Prepaid land lease payments** *RMB'000* (Unaudited)
Carrying amount at 1 January 2016	65,346	191,740	12,502
Additions	246,455	–	–
Depreciation/amortisation charged for the Review Period *(note 6)*	(2,820)	(201)	(133)
Carrying amount at 30 June 2016	308,981	191,539	12,369

10. PAYMENTS IN ADVANCE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**30 June 2016** *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000*
Current portion:			
Prepayments in respect of:			
— Processing fee		**–**	3,216
— Office rental		**412**	964
— Warehouse rental		**–**	2,773
— Lease of parcels of land located at Shangsheng Village	*(a)*	**520**	819
— Prepaid land lease payments to be amortised within one year		**133**	266
— Purchase of materials and supplies		**61,595**	341
— Purchase of marble slabs		**1,577**	4,097
— Others		**1,586**	1,069
Deposits		**–**	4,807
Interest income receivables		**456**	7,867
Deductible input value-added tax		**–**	454
Other receivables		**183,297**	136,586
Total		**249,576**	163,586
Non-current portion:			
Prepayments in respect of:			
— Lease of parcels of land located at Shangsheng Village	*(a)*	**10,098**	9,506
— Farmland occupation	*(b)*	**5,585**	5,690
		15,683	15,196

Notes:

(a) The balances represent prepayments made to the villagers for the use of parcels of land in Shangsheng Village for mining activities at the Yongfeng Mine. Based on the various agreements entered into among Jueshi Mining, the Shangsheng Village Committee and the villagers, Jueshi Mining prepaid RMB12,280,000 in aggregate, for rights to use the said parcels of land for a period of 15 years since the effective dates of the respective lease agreements.

(b) The balance represents prepayment made to the local taxation authorities for the occupation of farmland at the Yongfeng Mine. The prepayment will be charged to profit or loss on straight-line method over the terms of the mining right.

None of the above assets is past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

11. TRADE AND BILLS RECEIVABLES

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000*
Trade receivables	**127,765**	68,803
Bills receivable	**242**	0
Impairment	**(6,047)**	(5,482)
Total	**121,960**	63,321

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

An aged analysis of the trade receivables as at 30 June 2016 and 31 December 2015, based on the delivery date and net of provision, is as follows:

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000*
1 to 3 months	**73,535**	33,706
3 to 6 months	**42,197**	26,928
6 to 12 months	**5,831**	1,854
Over 1 year	**397**	833
	121,960	63,321

The movement in provision for impairment of trade receivables is as follows:

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000*
	6,047	5,482

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivable of RMB6,047,000 (31 December 2015: RMB5,482,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and a portion of the receivables is expected to be recovered.

During the Review Period, the Group has confirmed the interest expenses on discounted bills issued for the Group's internal transactions is RMB2,617,000 (six months ended 30 June 2015: RMB3,308,000).

12. TRADE AND BILLS PAYABLES

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000*
Trade payables	**12,526**	27,486
Bills payable	**142,680**	150,130
	155,206	177,616

An aged analysis of the trade and bills payables as at 30 June 2016 and 31 December 2015, based on the invoice date or issue date, where appropriate, is as follows:

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000*
Within 1 months	**9,406**	7,990
1 to 2 months	**8,424**	74,643
2 to 3 months	**59,637**	4,754
Over 3 months	**77,759**	90,249
	155,206	177,615

The trade payables are non-interest-bearing and are normally settled within three months after the Company obtained the invoices issued by suppliers. Bills payable were with maturity periods of 6 months or 12 months.

As at 30 June 2016, the Group's bills payable were secured by pledged time deposits of RMB42,804,000.

As at 30 June 2016, the Group's bills payable of RMB142,680,000 related to bills issued by one of the Group's subsidiaries and were held by banks.

13. INTEREST-BEARING BANK LOANS

	Note	**30 June 2016** *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000*
Repayable within one year			
Secured bank loans			
Prepaid land lease payments, properties	*(a)*	**39,973**	29,600
Third party	*(b)*	**8,000**	8,000
Unsecured bank loans	*(c)*	**73,000**	90,000
		120,973	127,600
Effective interest rate per annum (%)		**5.66-6.53**	5.66-6.53

Notes:

(a) As at 30 June 2016, the bank loan of Xiamen Huijin Stone of RMB39,973,000 (31 December 2015: RMB29,600,000) was secured by the land use rights of Yongguoyong (2014) No. 0237 held by Jiangxi ArtGo, properties with title certificates of Xia Guotu Fangzheng No. 00841811 and Xia Guotu Fangzheng No. 00849642 held by Xiamen Zhonglianjian Decoration Engineering Co., Ltd., and property with title certificate of Xia Guotu Fangzheng No. 01171972 held by Liu Songchun.

(b) As at 30 June 2016, bank loan of Xiamen Huijin Stone of RMB8,000,000 (31 December 2015: RMB8,000,000) was guaranteed by Xiamen Siming Technique Financial Guarantee Limited as an independent third party providing a charge of RMB80,000.

(c) As at 30 June 2016, bank loan of Xiamen Huijin Stone of RMB73,000,000 (31 December 2015: RMB90,000,000) was guaranteed by Jueshi Mining.

14. BALANCE WITH A RELATED PARTY

	Note	**30 June 2016** *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000*
Due to a related party:			
Non-trade in nature:			
— Dr. Leung Ka Kit ("Dr. Leung")	*(a)*	**25,640**	0

Note:

(a) Dr. Leung was appointed as an executive Director on 8 June 2016, the amount was provided by Dr. Leung in June 2016. As at 30 June 2016, amounts due to Mr. Leung were denominated in RMB. These balances with Mr. Leung were non-trade, interest-free, unsecured and had no fixed terms of repayment.

15. DEFERRED INCOME

	RMB'000
Government grant	
At 1 January 2016	5,690
Released to profit or loss	(105)
At 30 June 2016 (unaudited)	5,585

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

16. SHARE OPTION SCHEMES

On 9 December 2013, the Company conditionally adopted a share option scheme (the "**Pre-IPO Share Option Scheme**") for the purpose of providing incentives and rewards to full-time or part-time employees, executive officers or directors (including independent non-executive directors). The Pre-IPO Share Option Scheme will remain in force for 42 months from that date, unless otherwise cancelled or amended. Please refer to the 2013 annual report of the Company for details.

The exercise prices and exercise periods of the share options outstanding under the Pre-IPO Share Option Scheme as at 31 December 2015 are as follows:

Number of options	**Exercise price per share (HK$)**	**Exercise period**
1,199,998	2.39	From 30 June 2015 to 30 June 2016
4,800,001	2.39	From 30 June 2016 to 30 June 2017
4,800,009	2.39	From 30 June 2017 to 30 June 2018
10,800,008		

The fair value of the share options granted under the Pre-IPO Share Option Scheme was HK$12,056,000 (equivalent to approximately RMB9,487,000) or approximately HK$1.00 each (equivalent to approximately RMB0.79 each), of which the Group did not confirm a share option expense during the Review Period (six months ended 30 June 2015: RMB1,615,000).

The fair value of the equity-settled share options granted under the Pre-IPO Share Option Scheme was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	Nil
Expected volatility (%)	46.05–55.29
Risk-free interest rate (%)	0.26–1.23

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

As at 30 June 2016, the Company had 2,400,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,400,000 additional ordinary shares of the Company and additional share capital of HK$24,000 and share premium of HK$5,712,000 (before issue expenses).

At the date of approval of this interim condensed financial information, the Company had 2,400,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.15% of the Company's shares in issue as at that date.

17. DIVIDENDS

At a meeting of the board of directors held on 29 August 2016, the directors resolved not to pay an interim dividend to shareholders (six months ended 30 June 2015: Nil).

18. COMMITMENTS

The Group had the following capital commitments at the end of the Review Period:

	30 June 2016 ***RMB'000*** **(Unaudited)**	31 December 2015 *RMB'000*
Contracted, but not provided for:		
— Plant and equipment	**23,363**	23,613
	23,363	23,613

MANAGEMENT DISCUSSION AND ANALYSIS

In February 2013, the Group launched large-scale commercial production at Yongfeng Mine situated in Jiangxi Province in China. We have developed two operating mining areas in Yongfeng Mine, namely North #1 and North #4 mining areas. There are eight benches in North #1 mining areas and six benches in North #4 mining areas. Benefiting from a favourable geographical environment, the ideal geological conditions of Yongfeng Mine and based on the good foundation we laid on our mines, we are very confident in the mining of Yongfeng Mine in the future.

As at 30 June 2016, the Group has a network of 130 distributors, covering 95 cities across 29 provinces and autonomous regions in the People's Republic of China (the "**PRC**" or "**China**"). In addition, the Group has further enhanced and expanded its direct sales channels. To provide customers with more comprehensive marble products, we are also actively seeking marble resources that can bring synergies to the Group and provide a useful complement to existing products in terms of colours.

RESOURCES AND RESERVES

Yongfeng Mine

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

Holder	Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. ("Jueshi Mining") (our subsidiary)
Nature of resource	marble
Covered area	approximately 2.0 square kilometers
Issuance date	5 February 2013
Expiration date	5 February 2018, which can be extended to 5 February 2043 according to applicable PRC laws and regulations
Permitted production volume	250,000 cubic meters per annum

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB55.8 million for a period of 30 years. After paying RMB18.6 million in January 2013, we obtained a mining permit with an initial term of five years from 5 February 2013 to 5 February 2018. The term of our mining permit can be extended for another 25 years according to applicable PRC laws and regulations upon completion of our payment of the remaining mining right fee of RMB18.6 million plus interest accrued (in four equal annual installments) in the next two years. The first two installments aggregated to RMB18.6 million were paid by the Group's own funds as they fell due in March 2014 and March 2015 respectively.

The following table summarizes the marble resources and reserves of our Yongfeng Mine, estimated as of 31 December 2015 under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

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

Reserves	**Millions of cubic meters**
Proved	23.0
Probable	21.0
Total	44.0

The Company did not have exploration activities during the Review Period (ended 30 June 2015: NIL). In the Review Period, there was no capital expenditure of the Yongfeng Mine incurred (ended 30 June 2015: NIL).

Our Yongfeng Mine has topographical and geological advantages, which allow us to ramp up production scale easily and quickly. Such advantages, together with the convenient location of the Yongfeng Mine and its ready access to utilities, help us to achieve a low operating cost and a high profit margin.

Zhangxi Mine

Our Zhangxi Mine is located in the Yongfeng County of Jiangxi Province, China, nearly 50 kilometers apart from a constructed expressway in Fuzhou from Yongfeng to Ji'an. The location of the Mine is connected by the Changning (Nanchang to Ningdu) Expressway which has already been constructed and commenced operation, connecting the Group to China's national transportation system. The table below summarizes key information related to our current mining permit for the Zhangxi Mine.

Holder	Jiangxi Jueshi (Ji'an) Mining Co., Ltd. ("**Ji'an Mining**") (our subsidiary)
Nature of resource	marble
Covered area	0.7314 square kilometers
Issuance date	23 July 2015
Expiration date	23 July 2018
Permitted production volume	20,000 cubic meters per annum

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB1.615 million for a period of 3 years.

The following table summarizes the marble resources of our Zhangxi Mine, estimated as of 31 December 2015 under the PRC Classification of Solid Mineral Resources and Reserves ("PRC Classification").

Resources	**Millions of cubic meters**
Measured	7.1
Indicated	18.4
Inferred	4.2
Total	29.7

In the Review Period, there was a capital expenditure amounting to RMB1.615 million of the Zhangxi Mine incurred by the Group (for 2015: NIL).

Our Zhangxi Mine has topographical and geological advantages, which allow us to ramp up production scale easily and quickly. Such advantages, together with the convenient location of the Zhangxi Mine and its ready access to utilities, help us to achieve a low operating cost and a high profit margin.

Lingnan Mine

Our Lingnan Mine is located in the Yongfeng County of Jiangxi Province, China, and is connected by an asphalt road to Yongfeng County, nearly 65 kilometers apart from 105 National Highway and Beijing-Kowloon Railway, connecting the Group to China's national transportation system. The table below summarizes key information related to our current mining permit for the Lingnan Mine.

Holder	Jian Mining
Nature of resource	marble
Covered area	0.2463 square kilometers
Issuance date	23 July 2015
Expiration date	23 July 2018
Permitted production volume	10,000 cubic meters per annum

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB0.81 million for a period of 3 years.

The following table summarizes the marble resources of our Lingnan Mine, estimated as of 31 December 2015 under the PRC Classification.

Resources	**Millions of cubic meters**
Indicated	2.3
Inferred	1.2
Total	3.5

In the Review Period, there was a capital expenditure amounting to RMB0.81 million of the Lingnan Mine incurred by the Group (for 2015: NIL).

Our Lingnan Mine has topographical and geological advantages, which allow us to ramp up production scale easily and quickly. Such advantages, together with the convenient location of the Lingnan Mine and its ready access to utilities, help us to achieve a low operating cost and a high profit margin.

REVENUE

During the Review Period, the Group recorded an operating revenue of approximately RMB131.5 million, representing a decrease of approximately RMB18.6 million compared to the corresponding period of the previous year, mainly due to the decrease of the sales of cut-to-size slab from 156,960 square meters in the corresponding period of 2015 to 58,067 square meters in the Review Period.

(a) Sales by product categories

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

	For the six months ended 30 June					
	2016 (Unaudited)			2015 (Unaudited)		
			Gross profit margin			Gross profit margin
	RMB'000	%	(%)	*RMB'000*	%	(%)
Marble blocks	**79,788**	**60.7**	**80.1**	56,995	38.0	79.0
One-side-polished slabs	**16,315**	**12.4**	**43.0**	47,279	31.5	49.5
Cut-to-size slabs	**14,993**	**11.4**	**20.6**	45,868	30.5	33.1
Trade	**20,377**	**15.5**	**0.7**	–	–	–
Total	**131,473**	**100.0**	**56.4**	150,142	100.0	55.7

(b) Sales by Volume and Average Selling Price

The following table sets out the sales volume and average selling prices of marble blocks, one-side-polished slabs and cut-to-size slabs:

	For the six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Sales volume		
Marble blocks (m^3)	**18,995**	10,708
One-side-polished slabs (m^2)	**89,500**	215,307
Cut-to-size slabs (m^2)	**58,067**	156,960
Trading	**5,147**	–
Average selling price		
Marble blocks (RMB/m^3)	**4,201**	5,323
One-side-polished slabs (RMB/m^2)	**182**	220
Cut-to-size slabs (RMB/m^2)	**258**	292
Trading	**3,959**	–

The unit selling price of marble blocks decreased by approximately 21.1% comparing to that of the corresponding period of 2015, which was mainly due to: (i) some discounts were provided for marble blocks, given changes of color and texture due to natural causes; and (ii) in order to satisfy additional market demand for color and texture, a couple of marble blocks with lower quality were purchased and sold, leading to the lower unit selling price.

The unit selling price of one-side-polished slabs decreased by approximately 17% comparing to that of the corresponding period of 2015, which was mainly due to promotion of certain products with a relatively long age to secure more market shares.

The unit selling price of cut-to-size slabs decreased by approximately 11.6% comparing to that of the corresponding period of 2015, which was mainly due to most of corporate customers during the Review Period were engaged in renovation constructions and had different grade requirements for our products from primary corporate customers engaged in real estate development in the corresponding period in 2015, leading to adjustments made to our product mix and relatively lower unit selling price.

COST OF SALES

In the Review Period, the Group's cost of sales amounted to approximately RMB57.3 million, including the processing costs, which represented approximately 15.7% of the cost of sales; marble blocks mining costs, which represented approximately 28.6% of the cost of sales; and transportation costs, which represented approximately 2.1% of the cost of sales. During the Review Period, the decrease in cost of sales was in line with the decrease in sales and production volume.

Processing costs

In the Review Period, the processing costs of the Group represented the processing fees paid to processors for processing marble blocks into one-side-polished slabs and one-side polished slabs into cut-to-size slabs. The processing fees per unit of one-side-polished slabs in the Review Period were approximately RMB60.6, compared to the processing fees of approximately RMB61.3 in the corresponding period in 2014. The processing fees per unit of cut-to-size slabs were approximately RMB96.54 in the Review Period, compared to the processing fees of approximately RMB52.7 in the corresponding period in 2015. The increase in the processing fees per unit of cut-to-size slabs in the Review Period was mainly due to: (i) as the processing volume of cut-to-size slabs decreased from 56,708 square meters during the corresponding period in 2015 to 24,676 square meters during the Review Period, the bargaining power to processing supplier was declined, leading to increase in unit cost; and (ii) in order to satisfy market demand, the Group always commits to improve the grade and variety of cut-to-size slabs, and engaged a couple of new suppliers which are capable of higher processing technique during the Review Period, leading to higher unit cost.

Marble blocks mining costs

In the Review Period, marble blocks mining costs of the Group mainly included mining labour costs, materials consumption, fuel, electricity supply, depreciation of production equipment, and amortization of mining rights. The marble blocks mining costs per unit decreased by approximately 25% compared to the corresponding period in 2015 mainly due to the decrease in transportation fees and labour cost.

Transportation costs

Transportation costs included: (i) long-distance transportation fees for transporting marble blocks from the blocks yard of Yongfeng Mine to Shuitou, Fujian, the processing centre; and (ii) short-distance transportation fees for transporting marble blocks to the transit yard and transportation allocation between the warehouse in Shuitou and processors according to our production and processing plan. Transportation costs accounted for approximately 2.1% and 5.2% of the production costs for the Review Period and corresponding period in 2015, respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group in the Review Period decreased by approximately RMB9.4 million as compared to that of corresponding period of 2015. The gross profit margin in the Review Period was approximately 56.4%, while the gross profit margin in corresponding period of 2015 was approximately 55.7%. The gross profit margin of the sales of the Group in the Review Period slightly increased as compared to that of 2015.

OTHER INCOME AND GAINS

Other income and gains mainly included interest income from bank deposits. Interest income amounted to RMB2.4 million and government grant amounted to RMB130,000 for the Review Period.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses, mainly comprised of salaries of the Group's sales and distribution staff, travelling expenses, entertainment allowance, advertising costs and office rents, were approximately RMB8.9 million, representing approximately 6.8% of the revenue in the Review Period, while the selling and distribution expenses of RMB14.8 million in the corresponding period in 2015 accounted for approximately 9.8% of the revenue in the corresponding period in 2015. The selling and distribution expenses in the Review Period were decreased by RMB5.9 million compared to that of the corresponding period, mainly due to the decreased cost of human resource of RMB2.5 million, and the decrease in the travelling expenses, entertainment allowance, rents, transportation costs and advertising costs of RMB2.8 million.

ADMINISTRATIVE EXPENSES

Administrative expenses, mainly comprised of salaries of administrative staff, amortization of share options, consultancy fees and mineral resources compensation fee, were RMB14.1 million, accounting for approximately 10.7% of the revenue in the Review Period. The administrative expenses were RMB19.9 million in the corresponding period in 2015, accounting for approximately 13.3% of the revenue for the corresponding period in 2015. The administrative expenses in the Review Period was decreased by RMB5.8 million compared to that of the corresponding period, mainly due to the decrease of labour cost of RMB2.2 million as a result of staff number reduction and the decrease in the travelling expenses, entertainment allowance, consulting fees and service fees of RMB2.1 million.

FINANCE COSTS

Finance costs mainly included interests on bank loans, interests on discounted bills, interest expenses on installment payment from the acquisition of mining rights and related interests of rehabilitation. The finance costs decreased from RMB8.0 million in the corresponding period in 2015 to RMB7.8 million in the Review Period.

HUMAN RESOURCES AND REMUNERATION POLICY

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

As at 30 June 2016, the total number of full-time employees of the Group was 281 (as at 30 June 2015: 413). Total employee costs (including the directors' remunerations) amounted to approximately RMB11.1 million for the Review Period (for the six months ended 30 June 2015: approximately RMB23.2 million). Taking into account of the strategic goal of the Group, operating results, efforts and contributions made by each of executive directors, senior management and employees, and for the purposes of recognizing their value, motivating for better performance and skills, maintaining the Company's fast-growing development and achieving its long and short-term goals, the remunerations are in line with the market performance and the corresponding qualifications and abilities, and adjustments are made according to varied percentage, and the staff costs had a slightly decrease in the Review Period. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale.

On 9 December 2013, the Company adopted a share option scheme (the "**Share Option Scheme**") and a pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") (collectively, the "**Share Option Schemes**"). As at 30 June 2016, 2,400,000 share options had been granted and remained outstanding under the Pre-IPO Share Option Scheme and no share option had been granted under the Share Option Scheme.

On 20 April 2015, the Company adopted a share award scheme (the "**Share Award Scheme**") to reward the eligible participants, including the employees, directors, suppliers, customers and business partners of the Group, for their contributions to the Group, to provide competitive incentive package for retaining and attracting suitable personnel for the further development of the Group and to align the interests of such eligible participants with those of the shareholders of the Company ("**Shareholders**") through the grant of the award. Since the adoption of the Share Award Scheme and up to the date of this announcement, no awards have been granted under the Share Award Scheme.

INCOME TAX EXPENSE

Income tax expense increased from approximately RMB11.5 million for the six months ended 30 June 2016 to approximately RMB12.1 million for the Review Period.

PROFITS AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE REVIEW PERIOD

The net profits attributable to owners of the Company during the Review Period amounted to approximately RMB32.6 million, compared to RMB40.1 million for the corresponding period in 2015. The decreased net profits were in line with the decrease of revenue during the Review Period.

NET CASH FLOWS FROM OPERATING ACTIVITIES

Net cash outflows from operating activities for the Review Period were approximately RMB9.7 million (for the six months ended 30 June 2015: net cash inflows of approximately RMB109.9 million), primarily due to: (i) a profit before tax of approximately RMB44.7 million; (ii) decrease in trade and bills payables of RMB22.4 million, increase in other payables and accruals of RMB41.8 million and increase in amounts due to a related party of RMB25.6 million; and (iii) increase in trade and bills receivables of RMB58.6 million. The operating cash inflows was partially offset by the payment of income tax and interest expenses aggregated to RMB19.9 million.

NET CASH FLOWS USED IN INVESTING ACTIVITIES

Net cash outflows used in investing activities for the Review Period were approximately RMB436.1 million (for the six months ended 30 June 2015: net cash outflows of approximately RMB36 million), which primarily included: (i) payment for time deposits with a term over three months of approximately RMB453.2 million; (ii) increase of pledged time deposits of approximately RMB14.6 million; and (iii) the payment for purchase of property, plant and equipment and mining nights of RMB2.5 million.

NET CASH FLOWS USED IN FINANCING ACTIVITIES

Net cash outflows used in financing activities for the Review Period were approximately RMB6.3 million (for the six months ended 30 June 2015: net cash outflows of approximately RMB25.9 million), which was primarily used for repayment of bank loans.

INVENTORIES AND TURNOVER DAYS

The Group's inventories decreased by approximately 12%, from approximately RMB72.6 million as at 31 December 2015 to approximately RMB63.6 million as at 30 June 2016. The inventory turnover days of the Group were stable and decreased from 188 in 2015 to 174 in the Review Period.

TRADE AND BILLS RECEIVABLES AND TURNOVER DAYS

The Group's trade and bills receivables increased from approximately RMB63.3 million as at 31 December 2015 to approximately RMB122 million as at 30 June 2016. The increase was primarily due to the extension of the account period. Compared to 66 days in 2015, the trade receivables turnover days for the Review Period were 165 days. The increase in trade receivables turnover days was primarily due to the new sales channels liaised by shareholders of the Company and the Company offered certain customers with different credit periods as support, resulting in an increase in the balance of receivables at 30 June 2016.

TRADE AND BILLS PAYABLES

The Group's trade and bills payables decreased by approximately RMB22.4 million from approximately RMB177.6 million as at 31 December 2015 to approximately RMB155.2 million as at 30 June 2016.

NET CURRENT ASSETS

Net current assets of the Group increased by 3% from approximately RMB778.7 million as at 31 December 2015 to approximately RMB801.7 million as at 30 June 2016.

CURRENT RATIO

The current ratio, being current assets over current liabilities, was 2.8 as at 30 June 2016 (31 December 2015: 2.9). The current ratio decreased primarily due to increases in trade and bills payables which are yet outstanding at the end of the Review Period.

BORROWINGS

The Group generally finances its operations with internally generated cash flows and banking credit facilities. As at 30 June 2016, the Group had total bank loans of RMB120.9 million (31 December 2015: RMB127.6 million).

GEARING RATIO

The Group's gearing ratio equals to its net debt (total debts net of cash and bank balances) divided by total equity. Total debt is defined as interest-bearing bank and other loans and it excludes liabilities incurred for working capital purposes. As at 30 June 2016 and 31 December 2015, the Group's cash and bank balances exceeded the interest-bearing bank loans, respectively. As such, no gearing ratios as at 30 June 2016 and 31 December 2015 are presented.

CAPITAL EXPENDITURE

The Group's ability to maintain and increase its sales and profits depends upon continued capital spending. Capital expenditures are used to purchase mining rights, land, property, plant and equipment. For the Review Period, the Group's expenditure for (i) purchase of equity private placement of RMB245 million; (ii) purchase of property, plant and equipment and expenses on mining right amounted to RMB247.9 million.

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are located in Mainland China and most of the transactions were denominated in RMB, except for an amount due to the certain cash at banks are denominated in HK$ and US$. As such, the Group has limited exposure to any significant foreign currency exchange risks. The Board does not expect any material impact on the Group's operations caused by any foreign currency fluctuations. No financial instruments were employed by the Group for hedging purpose during the Review Period.

PLEDGE OF ASSETS

As at 30 June 2016, the Group pledged bank deposits of approximately RMB42.8 million (31 December 2015: RMB28.2 million) to issue banker's acceptance bills and letter of credit of the Group.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's listing and issue of new shares of the Company (the "**Shares**") amounted to approximately HK$833.0 million (equivalent to approximately RMB655.5 million). The net proceeds will be applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the prospectus of the Company dated 16 December 2013 (the "**Prospectus**"). The remaining proceeds were deposited with licensed banks as short-term deposits or time deposits in the PRC and Hong Kong, respectively.

	Remaining as at 30 June 2016	**Utilised during the Review Period**
	RMB million	*RMB million*
Working capital and other general corporate purposes	**42.6**	4.5
Expansion of sales channels	**44.0**	2.0
Capital expenditure of Yongfeng Mine	**253.0**	–
Construction of slab processing facilities	**178.2**	–
Total	**517.8**	6.5

MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER ISSUES

On 21 March 2016, the Group completed the acquisition of entire interests in Shanghai Yunyi Enterprise Management Company Limited# (上海韵義企業管理有限公司) ("**Shanghai Yunyi**") pursuant to the equity transfer agreement entered into by the Group and Mr. Wang Jiangze on 3 February 2016. The principal assets of Shanghai Yunyi are five commercial units with a total area of 2,431.18 square meters situated in the prime area in Puxi, Shanghai, the PRC. The purchase consideration of HK$294,000,000 (equivalent to approximately RMB245,000,000) for the acquisition was settled by the Company by issuing an aggregate of 260,000,000 consideration shares at the issue price of HK$1.13 per share pursuant to the general mandate granted to Directors on 16 June 2015. Details of the acquisition are set out in the Company's announcements dated 3 February 2016 and 21 March 2016.

For identification purpose only

FUTURE PLAN

In future, the Group will develop its international business by enriching its range of export products on an ongoing basis to enhance its competitiveness in the international market. By generating more overseas sales revenue, the Group will grasp the new opportunities presented during the process of going global. Domestically, the Group will acquire domestic mineral reserves of other colours and enrich the range of derivative products at opportune times to meet the different demands of users and create a premium lifestyle featuring good tastes for our clients. In addition, the Group plans to deploy its distributor network in key domestic cities extensively, continue its brand marketing, and launch distributor campaigns from time to time to boost sales volume and market share.

In addition, as mentioned in the announcement of the Company of 15 August 2016, the Group has planned to develop potential new business including modern logistics and build logistics parks in Dongtai, Jiangsu (and other appropriate regions), which will be equipped with facilities including those for goods transportation, warehouses and marble processing plants, so as to meet the needs for marble storage and processing as well as to facilitate the sale of our products in the east China region and lower transportation costs.

The Group will also look for market opportunities to further develop marble-related business and other diversity projects to create value and generate investment returns for its shareholders. In future, as people increasingly advocate the simplistic and natural styles, the greyish white colours will become more popular at home and abroad. The Group will continue to strive to develop its businesses, and adhere to the core values of "respecting nature with reverence, contributing to society with gratefulness, working hard with modesty and seeking win-win cooperation with altruism" to generate more fruitful returns for its shareholders, take the lead in the development of the stone material industry, and bring fashionable and premium marble products to people's everyday life.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards of dealings as set out in the Model Code throughout the six months ended 30 June 2016.

The Company has also established the written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by relevant employees of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company throughout the six months ended 30 June 2016.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. WANG Hengzhong (as chairman), Mr. LIU Jianhua and Mr. JIN Sheng. The Audit Committee has adopted the terms of reference in compliance with the CG Code.

The Audit Committee has in conjunction with the management of the Company reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this results announcement and the 2016 interim report of the Company as well as the interim condensed financial information of the Group for the six months ended 30 June 2016.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

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

Xiamen, the People's Republic of China, 29 August 2016

As at the date of this announcement, the executive Directors are Mr. Gu Weiwen, Mr. Zhang Jian, Ms. Wu Jing, Dr. Leung Ka Kit and Mr. Li Dingcheng, the non-executive Director is Mr. Gu Zengcai, and the independent non-executive Directors are Mr. Liu Jianhua, Mr. Wang Hengzhong, Mr. Jin Sheng and Mr. Hui Yat On.