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

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

RESULTS HIGHLIGHTS

For the year ended 31 December 2016:

- The revenue of the Group amounted to approximately RMB1,059.5 million (2015: approximately RMB332.2 million), representing an increase of approximately RMB727.3 million.
- The profit before tax of the Group amounted to approximately RMB9.6 million (2015: approximately RMB100.6 million), representing a decrease of approximately RMB91 million.
- The Group's net loss amounted to approximately RMB0.5 million (2015: net profit approximately RMB75.4 million).
- The basic and diluted loss per share attributable to ordinary equity holders of the Company amounted to RMB0 cent (2015: basic and diluted earnings per share of approximately RMB6 cent).

The board (the "Board") of directors (the "Directors") of ArtGo Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016. The Company's annual results for 2016 have been reviewed by the audit committee of the Company (the "Audit Committee") and have been approved by the Board on 31 March 2017.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	4	**1,059,457**	332,217
Cost of sales		**(961,235)**	(154,448)
Gross profit		**98,222**	177,769
Other income and gains	5	**15,695**	23,632
Selling and distribution expenses		**(24,683)**	(34,861)
Administrative expenses		**(35,407)**	(42,715)
Other expenses		**(19,861)**	(6,586)
Finance costs	6	**(24,317)**	(16,606)
PROFIT BEFORE TAX	7	**9,649**	100,633
Income tax expense	8	**(10,195)**	(25,226)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR		**(546)**	75,407
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
— Basic and diluted	10	**RMB(0.00)**	RMB0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**60,866**	65,346
Investment properties	*11*	**98,401**	–
Prepaid land lease payments		**13,271**	12,502
Intangible assets	*12*	**1,022,719**	191,740
Prepayments, deposits and other receivables	*16*	**14,168**	15,196
Payments in advance	*13*	**480,561**	1,946
Deferred tax assets		**9,537**	7,721
Restricted deposits	*15*	**2,455**	2,312
Total non-current assets		**1,701,978**	296,763
CURRENT ASSETS			
Inventories	*14*	**179,361**	72,622
Trade receivables	*15*	**23,159**	63,321
Prepayments, deposits and other receivables	*16*	**218,813**	163,586
Pledged deposits	*17*	**94,226**	28,174
Cash and bank balances	*17*	**60,896**	861,324
Total current assets		**576,455**	1,189,027
CURRENT LIABILITIES			
Trade and bills payables	*18*	**153,150**	177,616
Other payables and accruals	*19*	**80,363**	80,769
Tax payables		**24,636**	24,376
Interest-bearing bank and other borrowings	*20*	**197,682**	127,600
Total current liabilities		**455,831**	410,361
NET CURRENT ASSETS		**120,624**	778,666
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,822,602**	1,075,429

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2016

	Notes	**2016** **RMB'000**	2015 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*20*	**5,000**	–
Deferred tax liabilities		**2,229**	2,322
Other payables	*19*	**–**	9,300
Deferred income		**5,480**	5,690
Provision for rehabilitation		**13,323**	12,493
Total non-current liabilities		**26,032**	29,805
Net assets		**1,796,570**	1,045,624
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*21*	**15,482**	10,492
Reserves		**1,463,033**	1,035,132
		1,478,515	1,045,624
Non-controlling interests		**318,055**	–
Total equity		**1,796,570**	1,045,624

1. CORPORATE AND GROUP 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 located at 16/F, Nan Fung Tower, 173 Des Voeux Road Central, Hong Kong.

During the year, the Group were principally engaged in the business of mining, processing, sale of marble stones, and trading of commodities.

In the opinion of the Directors, the Company does not have an immediate holding company or ultimate holding company. Maswin International (Hong Kong) Co., Limited, a company incorporated in the Hong Kong, is in a position to exercise significant influence over the Company.

2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB") and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two (2015: one) reportable operating segments as follows:

(a) the marble products segment is a supplier of marble blocks and slabs mainly for further processing, construction or trading;

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

3. OPERATING SEGMENT INFORMATION (continued)

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

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

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

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

Year ended 31 December 2016

	Marble products *RMB'000*	**Commodities trading** *RMB'000*	**Total** *RMB'000*
SEGMENT REVENUE	**117,200**	**942,257**	**1,059,457**
Segment results	**25,604**	**12,410**	**38,014**
Reconciliation:			
Interest income			**9,346**
Foreign currency losses, net			**(3,652)**
Finance costs			**(24,317)**
Corporate and other unallocated expenses			**(9,742)**
Profit before tax			**9,649**
Segment assets	**2,010,427**	**2,491**	**2,012,918**
Reconciliation:			
Deferred tax assets			**9,537**
Pledged deposits			**94,226**
Cash and cash equivalents			**60,896**
Corporate and other unallocated assets			**100,856**
Total assets			**2,278,433**
Segment liabilities	**452,796**	**2,202**	**454,998**
Reconciliation:			
Tax payable			**24,636**
Deferred tax liabilities			**2,229**
Total liabilities			**481,863**
OTHER SEGMENT INFORMATION			
Impairment losses recognised in the statement of profit or loss	**5,099**	**–**	**5,099**
Depreciation and amortisation	**13,986**	**–**	**13,986**

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015

For the year ended 31 December 2015, the Group's revenue and contribution to consolidated results were derived from its sale of marble and marble related products, which was 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 the purposes of resource allocation and performance assessment.

Geographical information

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

	2016	2015
	RMB'000	*RMB'000*
Domestic*:		
Mainland China	**1,044,790**	311,690
Overseas	**14,667**	20,527
	1,059,457	332,217

* Place of domicile of the Group's principal subsidiaries, Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. ("Jueshi Mining"), Guanyang County Guiguan Stone Co., Ltd. ("Guiguan Stone"), Guizhou County Dejiang SanXin Stone Co., Ltd. ("Sanxin Stone"), Huijin Stone (Xiamen) Co., Ltd., Jiangxi Jueshi (Ji'an) Mining Co., Ltd. ("Ji'an Mining"), ArtGo Stone (Jiangxi) Co., Ltd., ArtGo Xinxing (Chongqing) Industrial Co. Ltd., ArtGo (Jiangsu) Technique Industrial Co., Ltd., Shanghai Yunyi Enterprise Management Co., Ltd. ("Shanghai Yunyi") and ArtGo (Shanghai) Industrial Co., Ltd.

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

Information about major customers

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

	2016	2015
	RMB'000	*RMB'000*
Customer A	**465,103**	*
Customer B	**172,650**	*

* Less than 10% of the total revenue

4. REVENUE

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

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 year:

	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
One-side-polished slabs	**31,750**	**3**	94,312	28
Cut-to-size slabs	**27,645**	**3**	106,787	32
Marble blocks	**57,805**	**5**	131,118	40
Commodity trading	**942,257**	**89**	–	–
	1,059,457	**100**	332,217	100

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2016	2015
	RMB'000	*RMB'000*
Bank interest income	**9,346**	19,416
Rental income	**3,709**	–
Compensation for breach of contract	**1,969**	–
Foreign exchange gain, net	**–**	2,150
Government grants*	**246**	1,820
Deferred income released to profit or loss	**210**	210
Miscellaneous	**215**	36
Total other income and gains	**15,695**	23,632

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 *RMB'000*	2015 *RMB'000*
Interest on bank loans	**10,549**	8,363
Interest on bills receivable discounted *(note 15)*	**11,924**	6,247
Interest on payables relating to the purchase of mining rights	**1,014**	1,215
Unwinding of a discount for rehabilitation	**830**	781
	24,317	16,606

7. PROFIT BEFORE TAX

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

	Notes	2016 *RMB'000*	2015 *RMB'000*
Cost of inventories sold		**961,235**	154,448
Employee benefit expense:			
Wages and salaries		**23,977**	33,435
Equity-settled share option expense	*22*	**(4,420)**	2,992
Welfare and other benefits		**921**	1,576
Pension scheme contributions			
— Defined contribution fund		**1,304**	2,118
Housing fund			
— Defined contribution fund		**1,408**	2,114
Total employee benefit expense		**23,190**	42,235
Depreciation of items of property, plant and equipment		**9,946**	7,188
Depreciation of investment properties		**3,389**	–
Amortisation of prepaid land lease payments		**266**	266
Amortisation of intangible assets		**385**	598
Depreciation and amortisation expenses		**13,986**	8,052
Minimum lease payments under operating leases:			
— Office		**6,715**	4,760
— Warehouses		**4,307**	4,677
— Parcels of land located at Shangsheng Village	*16(a)*	**819**	819
Auditors' remuneration		**2,700**	3,433
Foreign exchange loss/(gain), net		**3,652**	(2,150)
Impairment of trade receivables	*15*	**5,099**	5,482
Loss on disposal and written off of items of property, plant and equipment		**4,041**	32
Rental income	*5*	**(3,709)**	–
Bank interest income	*5*	**(9,346)**	(19,416)

8. INCOME TAX

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

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

Pursuant to the income tax rules and regulations in the People's Republic of China (the "PRC" or "China"), the subsidiaries located in Mainland China are liable to PRC CIT at a rate of 25% on the assessable profits generated during the year.

The major components of income tax expense were as follows:

	2016	2015
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**12,104**	27,998
Deferred	**(1,909)**	(2,772)
	10,195	25,226

A reconciliation of the income tax expense applicable to profit before taxation at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**9,649**	100,633
Tax at the respective statutory tax rates:		
— Mainland China subsidiaries, at 25%	**3,700**	28,176
— Hong Kong subsidiary, at 16.5%	**(849)**	(1,992)
Non-deductible expenses	**5,918**	2,135
Income not subject to tax	**(2,467)**	(2,868)
Tax losses not recognized	**3,893**	–
Tax losses accumulated from previous periods	**–**	(225)
Income tax expense	**10,195**	25,226

9. DIVIDENDS

At a meeting of the Director held on 31 March 2017, the Directors resolved not to declare any dividend to shareholders for the year ended 31 December 2016 (2015: Nil).

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share for the year ended 31 December 2016 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 1,537,372,251 (2015: 1,333,334,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices of the Company's shares during the current and the prior years.

11. INVESTMENT PROPERTIES

	2016	2015
	RMB'000	*RMB'000*
Carrying amount at 1 January	**–**	–
Acquisition of a subsidiary *(note 23)*	**101,790**	–
Depreciation provided for the year *(note 7)*	**(3,389)**	–
Carrying amount at 31 December	**98,401**	–

The Group's investment properties consist of commercial properties in Shanghai. The investment properties are leased to third parties under operating leases.

As at 31 December 2016, the fair value of the investment properties was estimated to be approximately RMB102,930,000 (2015: not applicable). The valuation was performed by Sichuan Shudi Real Estate Valuation Co., Ltd., an independent professionally qualified valuer. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The valuation is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value of the investment properties measured at the end of the reporting period is categorised into Level 3 valuations: Fair value measured using significant unobservable inputs, as defined in IFRS 13 *Fair Value Measurement*.

12. INTANGIBLE ASSETS

	Mining rights *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2016			
Cost at 1 January 2016, net of accumulated amortisation	190,014	1,726	191,740
Additions	2,425	–	2,425
Acquisition of subsidiaries *(note 23)*	828,939	–	828,939
Amortisation provided during the year *(note 7)*	(170)	(215)	(385)
At 31 December 2016	1,021,208	1,511	1,022,719
Analysed as:			
Cost	1,026,703	2,006	1,028,709
Accumulated amortisation	(5,495)	(495)	(5,990)
Net carrying amount	1,021,208	1,511	1,022,719
31 December 2015			
Cost at 1 January 2015, net of accumulated amortisation	76,237	1,176	77,413
Additions	–	723	723
Acquisition of a subsidiary *(note 23)*	114,202	–	114,202
Amortisation provided during the year *(note 7)*	(425)	(173)	(598)
At 31 December 2015	190,014	1,726	191,740
Analysed as:			
Cost	195,339	2,006	197,345
Accumulated amortisation	(5,325)	(280)	(5,605)
Net carrying amount	190,014	1,726	191,740

As at 31 December 2016, the Group's mining rights of Zhangxi and Lingnan mines with a carrying amount of RMB116,627,000 (2015: not applicable) was pledged as security for certain bank loans granted to the Group (note 20(a)).

13. PAYMENTS IN ADVANCE

	Note	**2016** ***RMB'000***	2015 *RMB'000*
In respect of the purchase of:			
Property, plant and equipment		**308,149**	1,946
Land use rights	*(a)*	**172,412**	–
		480,561	1,946

(a) Prepayment of RMB172,412,000 was made to Xuyi Bureau of Land and Resources for acquiring three parcels of land use rights.

14. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Finished goods	**59,536**	63,465
Work in progress	**119,292**	8,590
Materials and supplies	**533**	567
	179,361	72,622

15. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**33,740**	68,803
Impairment	**(10,581)**	(5,482)
	23,159	63,321

An aged analysis of the trade receivables (net of impairment) as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**7,702**	8,532
1 to 3 months	**6,145**	25,174
3 to 6 months	**5,479**	26,928
6 to 12 months	**1,717**	1,854
Over 1 year	**2,116**	833
	23,159	63,321

The movements in provision for impairment of trade receivables are as follows:

	2016	2015
	RMB'000	*RMB'000*
At beginning of year	**5,482**	–
Impairment losses recognised *(note 7)*	**5,099**	5,482
	10,581	5,482

As at 31 December 2016, trade receivables contained retention money receivables of RMB6,833,000 (2015: RMB15,003,000).

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

15. TRADE RECEIVABLES (continued)

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

Impairment of trade receivables recognised during the year ended 31 December 2016 represented a provision for individually impaired trade receivables of RMB5,099,000 (2015: 5,482,000) with a carrying amount before provision of 10,581,000 (2015: 6,043,000). The individually impaired trade receivables related to certain customers that were in financial difficulties, with whom the Group had stopped supplying goods, initiated discussions on repayment terms and is in the midst of monitoring their repayment schedules. Whilst the Group will continue to follow up closely on the receivable status, the recoverability of part of the receivables has specifically been affected by the weak market condition, may be delayed for a longer-than-expected period or part of the receivables may not be recoverable. As such, the Group had made an impairment provision of RMB5,099,000 for the year ended 31 December 2016. Despite such provision and longer-than-expected repayment periods, the Group will initiate necessary actions to recover these receivables in part or in full.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**17,966**	52,698
Past due but not impaired:		
Less than 1 month past due	**810**	1,166
Over 1 month and less than 3 months past due	**1,169**	8,266
Over 3 months past due	**3,214**	630
	23,159	62,760

Trade receivables that were neither past due nor impaired relate to a certain number of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2016, the Group endorsed certain bills receivable accepted by banks in the PRC to certain of its suppliers in order to settle the trade payables to these suppliers with a carrying amount in aggregate of RMB407,286,000 (2015: RMB283,496,000).

During the year, the Group has recognised interest expense of RMB11,924,000 (2015: RMB6,247,000) (note 6) on discounted bills.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2016** **_RMB'000_**	2015 *RMB'000*
Current portion:			
Prepayments in respect of:			
— Processing fee		**2,928**	3,216
— Office rental		**68**	964
— Warehouse rental		**1,625**	2,773
— Lease of parcels of land located at Shangsheng Village	*(a)*	**819**	819
— Prepaid land lease payments to be amortised within one year		**266**	266
— Purchase of materials and supplies		**202**	341
— Purchase of marble blocks and slabs		**55,969**	4,097
— Service fee		**696**	812
— Other		**76**	257
Deposits		**6,291**	4,807
Refundable deposits for acquisition of an associate	*(b)*	**50,000**	–
Interest income receivables		**–**	7,867
Deductible input value-added tax		**827**	404
Other receivable arising from acquisition of a subsidiary		**–**	135,518
Due from a shareholder	*(c)*	**94,853**	–
Other receivables		**4,193**	1,445
		218,813	163,586
Non-current portion:			
Prepayments in respect of			
— Lease of parcels of land located at Shangsheng Village	*(a)*	**8,688**	9,506
— Cultivated land used tax	*(d)*	**5,480**	5,690
		14,168	15,196

Notes:

(a) The balances represent prepayments made to villagers for the use of parcels of land in Shangsheng Village for mining activities at the marble mine located in Yongfeng County, Jiangxi Province, the PRC ("Yongfeng Mine"). Based on the various agreements entered into among Jueshi Mining, the Shangsheng Village Committee and the villagers during each of the years ended 31 December 2012 and 2013, Jueshi Mining prepaid RMB2,134,000 and RMB10,146,000 in 2012 and 2013, respectively, for the 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 a refundable deposit made for the acquisition of 24.5% equity interests in Jiangsu Ganshengda Technology Co., Ltd. ("江蘇乾晟達科技有限公司"). The refundable deposit was fully collected subsequent to the reporting period.

(c) The balance represents the part of shortfall between the adjusted consideration for the acquisition of a subsidiary from the vendor who was then a shareholder of the company and the new shares of the Company allotted and issued to him for the acquisition during the year, which should be paid and settled in cash by the said vendor within one year. Particulars of such arrangement were set out in the Company's announcement dated 30 December 2016. The balance was fully collected subsequent to the reporting period.

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

17. RESTRICTED DEPOSITS, PLEDGED TIME DEPOSITS AND CASH AND BANK BALANCES

	2016 *RMB'000*	2015 *RMB'000*
Cash on hand and cash at banks	**63,351**	292,208
Time deposits with original maturity of:		
— over three months	**94,226**	599,602
	157,577	891,810
Less:		
Restricted deposits for environmental rehabilitation deposits	**(2,455)**	(2,312)
Pledged deposits for:		
— bills payable *(note 18)*	**(92,826)**	(28,174)
— interest-bearing bank loans *(note 20(a))*	**(1,400)**	–
	60,896	861,324

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

	2016 *RMB'000*	2015 *RMB'000*
RMB	**136,057**	891,738
HK$	**20,465**	64
US$	**159**	8
	156,681	891,810

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

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

18. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**10,350**	27,486
Bills payable	**142,800**	150,130
	153,150	177,616

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

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**73,377**	7,990
1 to 2 months	**1,538**	74,643
2 to 3 months	**544**	4,734
Over 3 months	**77,691**	90,249
	153,150	177,616

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

As at 31 December 2016, the Group's bills payable of RMB142,800,000 were secured by pledged time deposits of RMB92,826,000 (note 17).

19. OTHER PAYABLES AND ACCRUALS

	Notes	2016 RMB'000	2015 RMB'000
Current portion:			
Advances from customers		**6,059**	21,929
Payables relating to:			
Purchase of property, plant and equipment	*(a)*	**10,750**	10,850
Purchase of mining rights	*(b)*	**18,600**	9,300
Payroll and welfare		**10,704**	12,907
Taxes other than income tax		**7,226**	5,745
Professional fees		**6,638**	6,279
Mineral resources compensation fees		**5,501**	4,234
Rental fees		**2,410**	356
Distributors' earnest money		**1,920**	1,925
Security deposit		**1,886**	–
Land occupation fee		**936**	–
Purchase of software		**585**	585
Employee reimbursement		**526**	839
Advertisement fees		**449**	383
Vegetation restoration fee		**360**	–
Interest payables relating to:			
Bank loans		**398**	187
Purchase of mining rights	*(b)*	**3,707**	3,193
Others		**1,708**	2,057
		80,363	80,769
Non-current portion:			
Payables relating to:			
Purchase of mining rights	*(b)*	**–**	9,300
		–	9,300
		80,363	90,069

Notes:

(a) The balances represent payables in connection with the construction of a mining road and a processing plant located in Jiangxi.

(b) The balances represent payables in connection with the purchase of mining rights to the Yongfeng Mine. The payables are unsecured and bear interest at a rate with reference to the prevailing interest rate with the similar repayment term promulgated by the People's Bank of China, i.e., 4.75% per annum.

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

20. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Notes	2016 RMB'000	2015 RMB'000
Bank loans:			
Secured and guaranteed	(a)	**56,000**	–
Secured	(a)	**54,890**	29,600
Guaranteed	(b)	**7,492**	8,000
Unsecured		**50,000**	90,000
		168,382	127,600
Effective interest rate per annum (%)		**5.66-7.00**	5.66-6.53
Other borrowings:			
Secured and guaranteed	(a)	**34,300**	–
Effective interest rate per annum (%)		**6.53**	–
Analysed into:			
Bank loans repayable:			
Within one year		**163,382**	127,600
In the second year		**5,000**	–
		168,382	127,600
Other borrowings repayable:			
Within one year		**34,300**	–
Total bank and other borrowings		**202,682**	127,600
Portion classified as current liabilities		**(197,682)**	(127,600)
Non-current portion		**5,000**	–

(a) The Group's bank loans and other borrowings of approximately RMB145,190,000 as at 31 December 2016 (2015: RMB29,600,000) were secured by certain assets with net carrying values as follows:

	2016 RMB'000	2015 RMB'000
Secured by:		
Prepaid land lease payments	**13,537**	12,768
Mining rights to Zhangxi and Lingnan mines *(note 12)*	**116,627**	–
Time deposits *(note 17)*	**1,400**	–
	131,564	12,768

The Group's secured bank loans and other borrowings of approximately RMB90,300,000 as at 31 December 2016 (31 December 2015: Nil) were also jointly guaranteed by the Company's Directors, Ms. Wu. Jing and Mr. Leung Ka Kit.

(b) The Group's bank loans of approximately RMB7,492,000 as at 31 December 2016 (31 December 2015: RMB8,000,000) were guaranteed by an independent third party, Xiamen Siming Technique Financial Guarantee Co., Ltd, with a guarantee charge of RMB80,000.

21. SHARE CAPITAL

Shares

	2016	2015
	RMB'000	*RMB'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.01 each (2015: 3,000,000,000 ordinary shares of HK$0.01 each)	**23,651**	23,651
Issued and fully paid:		
1,911,334,000 ordinary shares of HK$0.01 each (2015: 1,333,334,000 ordinary shares of HK$0.01 each)	**15,482**	10,492

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

Issued share capital:

	Number of ordinary shares	**Nominal value of ordinary shares**
		RMB'000
At 1 January 2016	1,333,334,000	10,492
Issue of new shares for acquisition of subsidiaries	578,000,000	4,990
As at 31 December 2016	1,911,334,000	15,482

Notes:

On 18 March 2016, the Company allotted and issued an aggregate of 260,000,000 new ordinary shares of the Company as the consideration for the acquisition of the entire interest in Shanghai Yunyi (note 23). The aggregate fair value of the 260,000,000 ordinary shares, determined by reference to the closing quoted market price of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited at acquisition date, amounted to RMB218,830,000, of which RMB2,145,000 and RMB216,685,000 were credited to the share capital and share premium account of the Company, respectively. As a result of the adjusted consideration for the acquired subsidiary, the shortfall RMB117,040,000 shall be injected by the corresponding shareholder in cash within one year. Particulars of the above were set out in the Company's announcements dated 3 February 2016 and 30 December 2016, respectively. Among the shortfall, RMB22,187,000 had been injected by the corresponding shareholder by the end of 31 December 2016, and the remainder was injected subsequent to the reporting period.

On 30 December 2016, the Company allotted and issued an aggregate of 318,000,000 new ordinary shares of the Company as the consideration for the acquisition of the entire interest in Evoke Investment Limited ("Evoke Investment") (note 23). The aggregate fair value of the 318,000,000 ordinary shares, determined by reference to the closing quoted market price of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited at acquisition date, amounted to RMB219,027,000, of which RMB2,845,000 and RMB216,182,000 were credited to the share capital and share premium account of the Company, respectively. Particulars of the above were set out in the Company's announcement dated 19 December 2016.

22. SHARE OPTION SCHEMES

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

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

	Notes	**Exercise price HK$ per share**	**Number of options**
As at 1 January 2016	*(a)*	2.39	10,800,008
Forfeited during the year	*(b)*	2.39	(8,400,006)
Expired during the year	*(c)*	2.39	(266,666)
As at 31 December 2016			2,133,336

Notes:

(a) The share options outstanding as at 1 January 2016 represented share options granted by the Company on 30 December 2013 at the exercise price of HK$2.39 per share.

(b) The share options granted to four eligible participants under the Pre-IPO Share Option Scheme were forfeited following their voluntary resignation during the year.

(c) The second batch of 266,666 share options expired without being exercised on 1 July 2016.

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

2016:

Number of options	**Exercise price HK$ per share**	**Exercise period**
1,066,667	**2.39**	**From 30 June 2016 to 30 June 2017**
1,066,669	**2.39**	**From 30 June 2017 to 30 June 2018**
2,133,336		

2015:

Number of options	Exercise price HK$ per share	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		

22. SHARE OPTION SCHEMES (continued)

The Group had 2,133,336 share options exercisable as at 31 December 2016 (2015: 10,800,008). The Group reversed a share option expense of HK$5,618,000 (equivalent to approximately RMB4,420,000) during the year ended 31 December 2016 (a share option expense recognized in 2015: HK$3,802,000, equivalent to approximately RMB2,992,000).

At the end of the reporting period, the Company had 2,133,336 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 2,133,336 additional ordinary shares of the Company and additional share capital of HK$21,333 and share premium of HK$5,077,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 2,133,336 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.1% of the Company's shares in issue as at that date.

23. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Shanghai Yunyi

On 18 March 2016, the Group acquired 100% equity interests in Shanghai Yunyi from Mr. Wang Jiangze, an independent individual and the owner of Shanghai Yunyi, which is principally engaged in properties investment. The purchase consideration for the acquisition was in the form of the allotment and issue of 260,000,000 ordinary shares by the Company at HK$1.02 per share at the date of acquisition (note 21), amounting to HK$265,200,000 (equivalent to approximately RMB218,830,000) in aggregate. Pursuant to an supplementary agreement dated 30 December 2016 entered into between the Company and Mr. Wang Jiangze, the purchase consideration was adjusted from RMB218,830,000 to RMB101,790,000 arising from the over-valuation of the commercial properties of Shanghai Yunyi as at the acquisition date, the shortfall of RMB117,040,000 arising from the adjusted consideration shall be injected to the Group in cash by Mr. Wang Jiangze within one year.

Particulates of the acquisition of the entire equity interests in Shanghai Yunyi were set out in the Company's announcements dated 3 February 2016 and 30 December 2016.

(b) Acquisition of Chancellor Investment

On 30 December 2016, the Group acquired 100% equity interests in Chancellor Investment Limited ("Chancellor Investment") from Mr. Dong Zhichao, an independent individual and the then owner of Chancellor Investment. Chancellor Investment indirectly owns 80% equity interests in Sanxin Stone, which holds the mining permit of a marble mine, located at Dejiang County, Tongren City, Guizhou Province with an area of mine field of approximately 0.252 square kilometres, which will be expired on 1 January 2019. Chancellor Investment and its subsidiaries (together, "Chancellor Group") are principally engaged in mining exploration of marble products. The purchase consideration for the acquisition was in the form of cash, with RMB240,000,000 paid at the acquisition date.

Particulars of the acquisition of the entire equity interests in Chancellor Investment were set out in the Company's announcement dated 29 December 2016.

23. ACQUISITION OF SUBSIDIARIES (continued)

(c) Acquisition of Evoke Investment

On 30 December 2016, the Group acquired 100% equity interests in Evoke Investment from Mr. Zhang Tao, an independent individual and the then owner of Evoke Investment. Evoke Investment indirectly owns 51% equity interests in Guiguan Stone, which holds the mining permits of two white stripe in black marble mines, located in Guanyang County, Guilin City, Guangxi Province, which will be expired on 7 December 2018 and 4 March 2018, respectively. Evoke Investment and its subsidiaries (together, "Evoke Group") are principally engaged in mining exploration of marble products. The purchase consideration of HK$300,265,000 (equivalent to approximately RMB268,586,000) for the acquisition was satisfied by cash amounting to RMB49,559,000 and the allotment and issue of 318,000,000 ordinary shares by the Company at the date of acquisition (note 21), amounting to HK$244,860,000 (equivalent to approximately RMB219,027,000) in aggregate.

Particulars of the acquisition of the entire equity interests in Evoke Investment were set out in the Company's announcement dated 19 December 2016.

The acquisition of Shanghai Yunyi, Chancellor Group and Evoke Group has been accounted for as asset acquisition, as the acquisition didn't have all required attributes of a business. The fair values of identified assets and liabilities as at the date of acquisition were as follows:

	Shanghai Yunyi *RMB'000*	**Chancellor Group** *RMB'000*	**Evoke Group** *RMB'000*	**Total** *RMB'000*
2016				
Property, plant and equipment	–	431	–	431
Investment properties *(note 11)*	101,790	–	–	101,790
Prepaid land lease payments	–	–	1,035	1,035
Mining rights *(note 12)*	–	299,229	529,710	828,939
Prepayments, deposits and other receivables	1,310	340	–	1,650
Cash and bank balances	2	–	896	898
Other payables	(1,312)	–	–	(1,312)
Interest-bearing bank loan	–	–	(5,000)	(5,000)
Non-controlling interests	–	(60,000)	(258,055)	(318,055)
Total identifiable net assets at fair value	101,790	240,000	268,586	610,376
Satisfied by cash	–	240,000	49,559	289,559
Satisfied by shares	101,790	–	219,027	320,817
	101,790	240,000	268,586	610,376

23. ACQUISITION OF SUBSIDIARIES (continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Shanghai Yunyi *RMB'000*	Chancellor Group *RMB'000*	Evoke Group *RMB'000*	Total *RMB'000*
Cash consideration	–	(240,000)	(49,559)	(289,559)
Cash and bank balances acquired	2	–	896	898
Net outflow of cash and cash equivalents during the year	2	(240,000)	(48,663)	(288,661)

The Group entered into a share transfer agreement on 8 December 2015 with Mr. Yang Yueliang and Ms. Chen Feifei, the owners of Ji'an Mining and two independent third party individuals. Ji'an Mining owns the mining rights to two white marble stone mines located in Zhangxi village and Lingnan village in Jiangxi Province. The mining permits for Zhangxi mine and Lingnan mine are valid until 23 July 2018. Pursuant to the share transfer agreement, the Group conditionally agreed to acquire the entire equity interests in Ji'an Mining at a total consideration of RMB250,000,000, which was fully paid on 28 December 2015. The acquisition of Ji'an Mining was completed on 31 December 2015 when the Group acquired control over Ji'an Mining upon all the precedent conditions stated in the foresaid share transfer agreement being fulfilled.

Particulars of the acquisition of the entire equity interests in Ji'an Mining were set out in the Company's announcement dated 8 December 2015.

The acquisition of Ji'an Mining has been accounted for as an asset acquisition, as the acquisition had no attribution of a business. The identified assets and liabilities as at the respective date of acquisition were as follows:

	Ji'an Mining *RMB'000*
2015	
Property, plant and equipment	202
Mining rights *(note 12)*	114,202
Prepayments, deposits and other receivables	135,518
Restricted deposits	610
Cash and bank balances	5
Other payables and accruals	(537)
Total identifiable net assets at fair value	250,000
Satisfied by cash	250,000

23. ACQUISITION OF SUBSIDIARIES (continued)

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

	Ji'an Mining
	RMB'000
Cash consideration	(250,000)
Cash and bank balances acquired	5
Net outflow of cash and cash equivalents during the year	(249,995)

24. COMMITMENTS

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

	2016	2015
	RMB'000	*RMB'000*
Contracted, but not provided for:		
— Plant and equipment	**165,614**	23,613
— Land use rights	**32,787**	–
	198,401	23,613

25. EVENT AFTER THE REPORTING PERIOD

On 13 February 2017, the Group and Mr. Xue Zhangming entered into a conditional equity transfer agreement in respect of the proposed acquisition of the 49% equity interests in Techluxe International Holding Limited. Techluxe International Holding Limited and its subsidiaries mainly engaged in mining exploration, processing and sales of marble products. The proposed purchase consideration was RMB280 million, A refundable deposits of RMB10 million has been made up to the date of approval of these financial statements. In the meantime, in order to better secure the possible acquisition and to show the Group's earnest of as well as its financial ability in completing the transaction, the Group agreed with the vendor to deposit a sum of RMB105 million as escrow money with an escrow agent (the "Escrow Agent") who is acceptable to both the vendor and the Group. The escrow account was commonly controlled by the Escrow Agent and the Group and no withdrawal from the escrow account can be made without the prior approval and signature of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Marble and Mining Businesses

The Group has developed two operating mining areas in the Yongfeng Mine, namely North #1 and North #4 mining areas since 31 December 2015. There are eight benches in the North #1 mining area and six benches in the North #4 mining area. Benefiting from a favourable geographical environment and the ideal geological conditions of the Yongfeng Mine and based on the good geological conditions which we laid on our mine, we are very confident in the mining of Yongfeng Mine in the future. However, the extraction process was slow down in 2016 as compared to previous year. In 2016, the Group has extracted a total of 9,739 cubic metres of marble blocks in the Yongfeng Mine whereas a total of 36,065 cubic metres of marble blocks were extracted in 2015. During the year, the Group noticed that there were other competitors in the industry producing similar marbles in the nearby mines without mining permit in the Yongfeng County and selling their products under certain product brands owned and registered by the Group and had affected the sales performance of the Company. As a consequence, the extraction process was adjusted accordingly to match the sales volume of marble products produced from the Yongfeng Mine. The Group has been in contact with the local authority in dealing with the said matter and expects appropriate actions will be taken by the local authority in rectifying the situation and restoring the normal process of the extraction activities.

Despite the above circumstance, the Group shall continue the operations in the Yongfeng Mine, Zhangxi Mine and Lingnan Mine but adopting a more conservative investment strategy. In the past years, the Group's sales mainly relies on the products produced from the Yongfeng Mine which mainly produces white and grey colored limestone. During the year, the Group has been striving to develop its international business by enriching its range of export products on an ongoing basis to enhance its competitiveness in the international market. In late 2016, the Group was presented with opportunities to invest in Evoke Investment and Chancellor Investment that owns mining rights of mining property that produces white strip in black marble and wooden sea fossil marble respectively. The Board is of a view that it is in the best interest of the Company and its shareholders as a whole to diversify its portfolio of products and strengthen the overall competitiveness of the Group in the stone market.

Apart from the acquired majority-stake in mines in the year, subsequent to the reporting date, the Group entered into a conditional acquisition agreement for the proposed acquisition of 49% equity interest in a group of company which holds a mining right to a limestone mine in Xianggelila City in Yunnan Province at a consideration of RMB280 million. The proposed acquisition may enable the Group to further develop its current mining business of limestones and to enhance its pricing power and competitiveness in this market, thus provides an opportunity to the Group to increase its profitability and to expand its market share, which will in turn benefit the Company and its shareholders as a whole. At the date of this report, the Group is still in the course of performing its due diligence review including but not limited to the verification and appraisal of the mining resources and value of the acquiring business.

The Group also entered into memorandum of understand to acquire 24.5% equity interest in a company engaged in iron ore mining, magnetic separation and tailings rare earth related services. The proposed acquisition enables the Group to diversify its existing business by tapping into other mineral resources business. No definitive agreement has been entered into by the Group as at the date of this report.

As at the date of this report, the Group has a network of 136 distributors, covering 80 cities across 30 provinces and autonomous regions in the PRC. In addition, the Group is still consolidating and expanding the results of 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.

Commodities Trading and Other Related Businesses

Apart from sale of marble stones, the Group commenced the trading of commodities which are mainly petrochemical products. The revenue generated from this business segment in the year amounted to RMB942.3 million. Although the profit margin of the trading of commodities was not as high as the sale of marble stones, such new trading business has contributed positively to the Group's overall results in the year. The trading of commodities laid a foundation for the Group's plan of the development of modern logistics business including material processing (including processing of marble stones), transportation and warehousing as well as supply chain finance business. As such, the Group will continue to pursue the commodities trading business in the coming future as one of the business segments.

During the year, the Group successfully bid for the land use rights of the three parcels of land in Xuyi County, Jiangsu Province, the PRC through the public auction held by Xuyi Land Resources Bureau during which the land was offered for sale by way of tender at a total bidding price of approximately RMB205 million. Upon completion of the transaction, the Group plans to develop the land into a modern logistic park for the abovementioned business.

Corporate Development

In March 2016, the Group acquired a company whose principal assets consist of five commercial units situated in the prime area in Puxi, Shanghai, the PRC ("Properties") at a final adjusted consideration of approximately RMB101.8 million. The properties are currently leased out and upon the expiry of the existing leases, the Company intends to use the Properties as the headquarters of the Group and the exhibition store of marble stones. The Group considered that the properties on one hand enjoy the advantageous geographical location of being situated in a city which is the prime financial and commercial center of the PRC leading to a higher appreciation potential and on the other hand, it enables the Group to promote its corporate image for capturing the customers group in the first-tier city.

REVENUE

In 2016, the Group recorded an operating revenue of approximately RMB1,059.5 million (2015: RMB332.2 million), representing an increase of approximately RMB727.3 million (or 219%) compared to that of 2015, mainly due to: (i) increase in the sales of petrochemical products; and (ii) the impact of increase in sales revenue was partially offset by the decrease in sales revenue of marble products of approximately RMB215.0 million as a result of decrease in sales volume.

(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:

	2016			2015		
		Approximate percentage	**Gross profit margin**		Approximate percentage	Gross profit margin
	RMB'000	**%**	**(%)**	*RMB'000*	%	(%)
Marble blocks	**57,805**	**5.5**	**80.9**	131,118	39.5	74.0
One-side-polished slabs	**31,750**	**3.0**	**45.4**	94,312	28.4	50.0
Cut-to-size slabs	**27,645**	**2.6**	**35.1**	106,787	32.1	31.4
Commodity trading	**942,257**	**88.9**	**2.9**	–	–	–
Total	**1,059,457**	**100.0**	**9.3**	332,217	100.0	53.5

(b) Sales 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:

Sales volume	**2016**	**2015**
Marble blocks (m^3)	**13,191**	25,896
One-side-polished slabs (m^2)	**148,741**	440,521
Cut-to-size slabs (m^2)	**106,408**	357,368
Trading of commodities petrochemical products (Ton)	**201,917**	–
Average selling price		
Marble blocks (RMB/m^3)	**4,382**	5,063
One-side-polished slabs (RMB/m^2)	**213**	214
Cut-to-size slabs (RMB/m^2)	**260**	299

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

For the year ended 31 December 2016, the unit selling price of marble blocks decreased by approximately 13.5% as compared to that of 2015, mainly due to: (i) facing with the increasingly fierce competition, the Group has concentrated on developing new customers. To maintain a long-term business relationship, the Group offered more competitive prices; (ii) in order to satisfy additional market demand for color and texture at a more affordable price, the Group's marble blocks sales mix was extended to cater such needs in the lower price range, leading to the lower average unit selling price.

The unit selling price of one-side-polished slabs is stable compared to that of 2015 as there are no significant change of one-side-polished slabs' selling strategy.

The unit selling price of cut-to-size slabs decreased approximately by 13.0% compared to 2015, mainly due to more cut-to-size slabs sold in 2016 were purchased from external rather than produced by the Group. Most of corporate customers during the year 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

For the year ended 31 December 2016, the Group's cost of sales amounted to approximately RMB961.2 million, including processing costs, which represented approximately 1.1% of the total cost of sales; marble blocks mining costs, which represented approximately 1.1% of the total cost of sales; transportation costs, which represented approximately 0.3% of the total cost of sales; and costs of products purchased from third parties, which represented approximately 97.5% of the total cost of sales. To diversify the existing business of and to explore new markets with significant growth potential, the Group commenced its commodities trading business of petrochemical product from 2016, with cost of sales amounted to RMB914.9 million.

For the year ended 31 December 2016, the cost of sales for marble segment decreased by approximately RMB108.2 million, which is in line with decreased sales of marble products.

Processing costs

Processing costs of the Group represented the processing fees paid to processors for processing marble blocks into one-side-polished slabs and further polishing one-side-polished slabs into cut-to-size slabs. The processing fees decreased by RMB32.6 million is in line with decrease in production volume of one-side-polished slabs and cut-to-size slabs.

Marble blocks mining costs

In 2016, marble blocks mining costs of the Group mainly included mining labour costs, materials consumption, fuel, power, depreciation of production equipment and amortization of mining rights. The marble blocks mining cost per unit increased nearly by 13.0% compared to that of 2015, mainly due to the significant reduction in production volume in 2016, which resulted in a substantial increase in the fixed costs per unit product produced.

Transportation costs

Transportation costs included: (i) long-distance transportation fees for transporting marble blocks from the blocks yard of the 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 the production and processing plan of the Group. Transportation costs accounted for approximately 5.6% and 5.6% of the production costs of the marble business for 2016 and 2015, respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

During 2016, the Group realized a gross profit amounted to RMB98.2 million, decreased by approximately RMB79.5 million as compared to that of 2015. The gross profit margin in 2016 was approximately 9.3%, while the gross profit margin in 2015 was approximately 53.5%. The significant decrease in gross profit margin was mainly due to the sales of petrochemical products which accounted for 88.9% of the total sales, but with a lower gross profit margin which in turn lead to the decrease in the average gross profit margin of the Group.

OTHER INCOME AND GAINS

Other income and gains mainly included interest income from bank deposits, rental income derived from five commercial units of Shanghai Yunyi and penalty income as lessee terminated lease prematurely. Interest income amounted to approximately RMB9.3 million, rental income amounted to RMB3.7 million and penalty income of RMB2.0 million in 2016.

OTHER EXPENSES

Other expenses mainly included provision for impairment provision of bad debt, depreciation cost and purchase price allocation derived from five commercial units of Shanghai Yunyi, fixed asset disposal loss and foreign exchange loss. In 2016, provision for impairment of bad debt amounted to approximately RMB5.1 million, depreciation cost and penalty amounted to approximately RMB5.6 million, loss on the disposal of fixed asset amounted to RMB4.0 million and foreign exchange loss amounted to approximately RMB3.7 million.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses, mainly consisted of salaries of the Group's sales and distribution staff, travelling expenses, advertising costs and office rents. Selling and distribution expenses decreased by RMB10.2 million, from approximately 34.9 million for the year ended 31 December 2015 to approximately RMB24.7 million for the year. The decrease was in line with decreased sales of marble products, resulting in the decrease in the selling and distribution expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses, mainly consisted of salaries of administrative staff, consultancy fees, amortization expense of share option scheme, mineral resources compensation fee and depreciation expense. Administrative expenses decreased by RMB7.3 million, from approximately 42.7 million for the year ended 31 December 2015 to approximately RMB35.4 million for the year, The decrease in administrative expenses was mainly due to the streamlining of Group's organization structure, leading to the decrease in staff costs.

FINANCE COSTS

Finance costs mainly included interests on bank loans, interests on bills receivable discounted, interest on deferred payment from the acquisition of mining rights and related interests of rehabilitation. Finance costs for the year ended 31 December 2016 amounted to RMB24.3 million and increased by approximately RMB7.7 million as compared to that of 2015. The increase was mainly attributable to the increase in interests on bank loans and bills discounted.

HUMAN RESOURCES AND REMUNERATION POLICY

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

As at 31 December 2016, the total number of full-time employees of the Group was 288 (31 December 2015: 349). Employee costs (including the Directors' remunerations) totally amounted to approximately RMB23.2 million for 2016 (2015: approximately RMB42.2 million). Taking into account the strategic goal of the Group, operating results, efforts and contributions made by each of our executive Directors, senior management and employees, and for the purposes of recognizing their value, motivating for better performance and skills, maintaining the Company's fast-growing development and achieving its long and short-term goals, the remunerations are in line with the market performance and their qualifications and abilities, and makes adjustment according to varied percentage. Accordingly, the staff costs had a decrease in 2016. 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.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in a defined central pension scheme managed by the relevant local government authorities in Shanghai, Xiamen, Chongqing, Yongfeng, Xuyi and Dongtai where the Group is required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The local government authorities are responsible for the entire pension obligations payable to the retired employees and the Group has no obligation for the payment of retirement benefits beyond the annual contributions. In 2016, the contributions of approximately RMB1.3 million (2015: approximately RMB2.1 million) were charged to the profit and loss account as they became payable in accordance with the rules of the central pension scheme.

INCOME TAX EXPENSE

Income tax expense decreased by RMB15.0 million from approximately 25.2 million for the year ended 31 December 2015 to approximately RMB10.2 million for the year. The decrease was mainly due to the decrease in taxable profits generated by the Group's subsidiaries in Mainland China.

PROFITS AND TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The net loss attributable to owners of the Company during the year amounted to approximately RMB0.5 million, compared to net profit which amounted to RMB75.4 million for the year ended 31 December 2015. The decreased net profits were in line with the decrease in revenue arising from sales of marble products in 2016.

INVENTORIES AND TURNOVER DAYS

The Group's inventories increased by approximately 147.1%, from approximately RMB72.6 million as at 31 December 2015 to approximately RMB179.4 million as at 31 December 2016. It was primarily due to an increase in stock of marble products for further processing. The inventory turnover days of the Group decreased from 166 in 2015 to 47 in 2016. Such improvement in inventory turnover days was the result of the Group's effort in production planning and policy transformation to maintain a relatively rational inventory level.

TRADE RECEIVABLES AND TURNOVER DAYS

The Group's trade receivables and bills receivable decreased from approximately RMB63.3 million as at 31 December 2015 to approximately RMB23.2 million as at 31 December 2016. The decrease was in line with the decrease in the sales of marble products. The turnover days of trade receivable decreased from 68 to 15 in 2016. The decrease in trade receivables turnover days was primarily due to the Group had set strict credit standard on trading business of petrochemical products and granted shorter credit term to trading customers.

TRADE AND BILLS PAYABLES

The Group's trade and bills payables decreased by approximately RMB24.4 million as compared to approximately RMB177.6 million as at 31 December 2015 and reached approximately RMB153.2 million as at 31 December 2016. The decrease was primarily due to the decrease in procurement of materials from third parties.

NET CURRENT ASSETS

Net current assets of the Group decreased from approximately RMB778.7 million as at 31 December 2015 to approximately RMB120.6 million as at 31 December 2016, which was primarily due to decrease in cash and bank balances with the increase in capital expenditures.

CURRENT RATIO

The current ratio, being current assets over current liabilities, was 1.3 as at 31 December 2016 (31 December 2015: 2.9). The decrease in current ratio was primarily due to the decrease in cash and bank balances and increase in current portion of interest-bearing bank loans.

BORROWINGS

The Group generally finances its operations with internally generated cash flows and banking credit facilities. As at 31 December 2016, the Group had total bank loans and other borrowings of RMB202.7 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 31 December 2016, the gearing ratio was 18.0% (2015: Nil).

CAPITAL EXPENDITURE

The Group's ability to maintain and increase its sales and profits depends on continued capital expenditure. Capital expenditures are used to purchase mining rights, land, property, plant and equipment. In 2016, the Group's expenditures are used for: (i) purchase of property, plant and equipment aggregated to approximately RMB316.5 million; (ii) purchase of mining rights related to Zhangxi Mine and Lingnan Mine aggregated to approximately RMB2.4 million; (iii) acquisition of Evoke Group and Chancellor Group aggregated to approximately RMB610.4 million;and (iv) for the prepaid land leasements for acquiring three parcels of land use rights in Xuyi amounted to RMB172.4 million.

FOREIGN EXCHANGE EXPOSURE

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

PLEDGE OF ASSETS

As at 31 December 2016, the prepaid land lease payment amounted to approximately RMB13.5 million and mining rights of Zhangxi Mine and Lingnan Mine amounted to approximately RMB116.6 million and time deposits of RMB94.2 million were pledged as security for obtaining the certain bank loan granted to the Group and issuing of bank acceptance.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2016, the Group had capital commitments of approximately RMB198.4 million for acquisition of property, plant and equipment and land use rights, which were contracted but not provided for (2015: RMB23.6 million). As at 31 December 2016, the Group had no material contingent liabilities.

USE AND CHANGE OF 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). Save for the details set out below, the net proceeds has been applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the Prospectus. As at 31 December 2016, the Company had utilized approximately RMB605.3 million of net proceeds from the Global Offering, of which the allocation is different from the original allocation. The Company originally planned to use approximately 40% of the net proceeds (approximately RMB262.2 million) to finance for further capital expenditure of the Yongfeng Mine while, as at 31 December 2016, the Company has only utilized RMB9.2 million out of the RMB262.2 million of the net proceeds from the Global Offering allocated for the capital expenditure of Yongfeng Mine due to the reasons set out in the section "Business Review". The details of the original allocation of the net proceeds, the revised allocation of the net proceeds and the final utilization of the net proceeds as at 31 December 2016 are set out in the table below. The remaining proceeds as at 31 December 2016 were approximately RMB50.2 million and they were deposited with licensed banks as time deposits in Mainland China and Hong Kong, respectively.

Uses	**Original allocation** *RMB million*	**Revised allocation** *RMB million*	**Utilized for the year ended 31 December 2016** *RMB million*	**Utilized up to 31 December 2016** *RMB million*	**Remaining balance after revised allocation** *RMB million*
Capital expenditure of Yongfeng Mine	262.20	9.20	–	9.20	–
Construction of slab processing facilities	196.70	196.70	178.20	196.70	–
Expansion of sales channels	65.55	65.55	15.10	34.65	30.90
Acquisition of marble resources	65.55	65.55	–	65.55	–
Working capital and other general corporate purposes	65.55	65.55	27.8	46.26	19.29
Acquisition of Evoke Investment	–	49.56	49.56	49.56	–
Acquisition of Chancellor Investment	–	203.44	203.4	203.44	–
Total:	655.55	655.55	474.06	605.36	50.19

Save for the abovementioned changes, there is no other change of the use of the net proceeds from the Global Offering.

MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER

Acquisition of entire interest in Shanghai Yunyi

On 18 March 2016, the Group completed the acquisition of entire interests in Shanghai Yunyi pursuant to the equity transfer agreement entered into by the Group and an independent vendor 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 for the acquisition was in the form of the allotment and issue of 260,000,000 ordinary shares by the Company at the date of acquisition, amounting to HK$265,200,000 (equivalent to approximately RMB218,830,000) in aggregate. Pursuant to an supplementary agreement dated 30 December 2016 entered into between the Company and Mr. Wang Jiangze, the purchase consideration was adjusted from RMB218,830,000 to RMB101,790,000 arising from the over-valuation of the commercial properties of Shanghai Yunyi as at the acquisition date, the shortfall of RMB117,040,000 arising from the adjusted consideration shall be injected to the Group in cash by Mr. Wang Jiangze within one year. The corresponding shareholder made share capital injection of RMB22,187,000 on 31 December 2016 and fully settled the remaining balance subsequent to the reporting period. For details of the transactions, please refer to the announcements of the Company dated 3 February 2016 and 30 December 2016.

Acquisition of entire interest in Evoke Investment

On 30 December 2016, the Group completed the acquisition of entire interest in Evoke Investment from Mr. Zhang Tao, an independent individual and the then owner of Evoke Investment. Evoke Investment indirectly owns 51% equity interest in Guiguan Stone. Guiguan Stone owns the mining permits of two white stripe in black marble mines, located in Guanyang County, Guilin City, Guangxi Province, which will be expired on 7 December 2018 and 4 March 2018, respectively. Evoke Group are principally engaged in mining exploration of marble products. The purchase consideration of HK$300,265,000 (equivalent to approximately RMB268,586,000) for the acquisition was in the form of cash, amounting to RMB49,559,000 and the allotment and issue of 318,000,000 ordinary shares by the Company at the date of acquisition, amounting to HK$244,860,000 (equivalent to approximately RMB219,027,000) in aggregate. For details of the transactions, please refer to the announcement of the Company dated 19 December 2016.

Acquisition of entire interest in Chancellor Investment

On 30 December 2016, the Group completed the acquisition of entire interest in Chancellor Investment from Mr. Dong Zhichao, an independent individual and the then owner of Chancellor Investment. Chancellor Investment indirectly owns 80% equity interest in Sanxin Stone. Sanxin Stone owns the mining permit of a marble mine, located at Dejiang County, Tongren City, Guzhou Province with an area of mine field of approximately 0.252 square kilometres, which will be expired on 1 January 2019. Chancellor Group are principally engaged in mining exploration of marble products. The purchase consideration for the acquisition was in the form of cash, with RMB240,000,000 paid at the acquisition date.

Save as otherwise, the Group did not have any material acquisition or disposal during the year ended 31 December 2016.

OUTLOOK

Looking forward, the Group will continue its plan in developing its international business by enriching its range of export products on an ongoing basis to enhance its competitiveness in the international market. The successful acquisition of the interests in Wenshi Mine and Dejiang Mine in 2016 was a crucial move in realizing this plan as these newly acquired mines produce black with white thread mixed and wooden thread mixed limestones which are well-recognized in the international stone market.

The Group will continue identifying suitable domestic mineral reserves of other colours and enrich the range of derivative products to meet the different demands from our clients. On the marketing and distribution side, the Group plans to redeploy its distributor network by reducing the number of distributors in non-key cities whereas to building up more linkages to the potential distributors in those key cities. Our number of distributors growth from 126 distributors located in 95 cities last year to 136 distributors located in 80 cities this year.

With the success in bidding the three parcels of land in Xuyi County, Jiangsu Province, the PRC this year, it is a step forward in developing the modern logistics, material processing (including processing of marble stones) and supply chain finance business.

Coupled with the above business development, the Company is confident in its prospect. The management will continue to strike for a balance between the persistent growth of the Group and the effective and the efficient use of its resources.

GUIGUAN RESOURCES AND RESERVES

GUIGUAN MINE

Our Guiguan Mine is located at Industrial Zone, Wenshi Town, Guanyang County of Guangxi Province, China. The table below summarizes key information related to our current mining permit for the Guiguan Mine.

Holder	Guiguan Stone
Nature of resource	marble
Covered area	approximately 0.0808 square kilometre
Issuance date	7 December 2015
Expiration date	7 December 2018
Permitted production volume	132,300 tons per annum

GUIGUAN MINE (continued)

The Guangxi Province Bureau of Land and Resources assessed a mining right fee of RMB1.75 million for a period of three years.

The following table summarizes the marble resources of our Guiguan Mine, estimated as of 31 December 2016 according to the PRC classification of solid mineral resources ("Chinese Standards").

Resources	Millions of cubic meters
Indicated	1.6
Inferred	0.3
Total	1.9

The Group did not have exploration, development and production activities for Guiguan Mine in 2016 (2015: None) as the Group acquired the interest in this mine in late 2016.

WENSHI MINE

Our Wenshi Mine is located at Wenshi Town, Guanyang County of Guangxi Province, China. The tables below summarize key information related to our current mining permit for the Wenshi Mine.

Holder	Guiguan Stone
Nature of resource	marble
Covered area	approximately 0.4587 square kilometre
Issuance date	4 March 2015
Expiration date	4 March 2018
Permitted production volume	120,500 tons per annum

The Guangxi Province Bureau of Land and Resources assessed a mining right fee of RMB1.59 million for a period of three years.

WENSHI MINE (continued)

The following tables summarize the marble resources of our Wenshi Mine, estimated as of 31 December 2016 under Chinese Standard.

Resources	**Millions of cubic meters**
Indicated	6.4
Inferred	2.8
Total	9.2

The Group did not have exploration, development and production activities for Wenshi Mine in 2016 (2015: None).

The Wenshi Mines enjoy favourable topographical and geological conditions, which allows the Group to ramp up production scale easily and quickly. Such conditions, together with the convenient location of the Wenshi Mine and its ready access to utilities, help the Group to achieve a lower operating cost and a higher profit margin.

DEJIANG MINE

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

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

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

DEJIANG MINE (continued)

The following table summarizes the marble resources of our Dejiang Mine, estimated as of 31 December 2016 under Chinese Standards.

Resources	Millions of cubic meters
Indicated	1.3
Inferred	0.8
Total	2.1

The Group did not have exploration, development and production activities for Dejiang Mine in 2016 (2015: None) as the Group acquired the interest in this mine in 2016.

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	Jueshi Mining
Nature of resource	marble
Covered area	approximately 2.0 square kilometres
Issuance date	5 February 2013
Expiration date	5 February 2018
Permitted production volume	250,000 cubic metres per annum

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB55.8 million for a period of 30 years. 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 RMB9.3 million plus accrued interest settled by four equal annual installments within the next year. The first two installments of RMB18.6 million became due in March 2014 and March 2015 respectively and were paid by the Group's own funds.

YONGFENG MINE (continued)

The following table summarizes the marble resources and reserves of our Yongfeng Mine, estimated as of 31 December 2016 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

Resources	Millions of cubic meters
Proved	23.0
Probable	21.0
Total	44.0

The estimated resources and reserves of the Yongfeng Mine as of 31 December 2016 were arrived after taking into account the estimated resources and reserves of the Yongfeng Mine as of 30 September 2013 minus the amount of extraction in the course of the Group normal and routine mining activities carried out during the period from 1 October 2013 to 31 December 2016 and have been substantiated by the following two persons: (i) Mr. NIE Zhiqiang, the vice president of Jueshi Mining, our wholly-owned subsidiary, who has over 20 years of experience in mining production (including exploration and extraction process); and (ii) Mr. LI Dingcheng, our executive director, who has over 24 years of experience in the mineral and geological exploration industry and holds a bachelor's degree in engineering, majoring in geology and mineral resources survey and is a titled senior engineer. For details of the biographical information of Mr. LI Dingcheng and Mr. NIE Zhiqiang, please refer to the prospectus of the Company dated 16 December 2013 (the "Prospectus").

The estimated resources and reserves of Yongfeng Mine as of both 30 September 2013 (as disclosed in the Prospectus) and 31 December 2016 (as disclosed in this annual report) were based on the resources and reserves under the JORC Code, i.e. there was no change in the reporting standard used in arriving at these estimates on the respective dates. The methods used to estimate mineral resources and the parameters used for the estimated resources and reserves of the Company as of 30 September 2013 and 31 December 2016 were identical.

The Company did not have exploration activities in 2016 (2015: none), and the capital expenditure of the Yongfeng Mine was nil in the year (2015: RMB4.6 million).

ZHANGXI MINE

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

Holder	Ji'an Mining
Nature of resource	marble
Covered area	approximately 0.7 square kilometre
Issuance date	23 July 2010
Expiration date	23 July 2015, which can be extended to 23 July 2018 according to applicable PRC laws and regulations
Permitted production volume	20,000 cubic metres per annum

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

The table below summarizes the marble resources of Zhangxi Mine estimated as of 31 December 2015 according to Chinese Standards.

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

The Group did not have exploration, development and production activities for Zhangxi Mine in 2016 (2015: None).

LINGNAN MINE

The Lingnan Mine is located at Yongfeng County of Jiangxi Province, China. Lingnan Mine is provided with an asphalt highway extending to Yongfeng County, about 65 km from 105 National Highway and Beijing-Kowloon Railway, connecting to the China's national transportation system. The table below summarizes key information related to the current mining permit for the Lingnan Mine.

Holder	Ji'an Mining
Nature of resource	marble
Covered area	approximately 0.2 square kilometre
Issuance date	23 July 2010
Expiration date	23 July 2015, which can be extended to 23 July 2018 according to applicable PRC laws and regulations
Permitted production volume	10,000 cubic metres per annum

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

The table below summarizes the marble resources of Lingnan Mine estimated as of 31 December 2016 according to the Chinese Standards.

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

The Group did not have exploration, development and production activities for Lingnan Mine in 2016 (2015: None).

OTHER INFORMATION

SHARE CAPITAL

The total amount of authorised share capital of the Company is HK$30,000,000 divided into 3,000,000,000 ordinary shares of HK$0.01 each, with 1,911,334,000 ordinary shares in issue as at 31 December 2016. During the year of 2016, the share capital of the Company increased by 578,000,000 shares.

PRE-EMPTION RIGHT

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

CLOSURE OF REGISTER OF MEMBERS FOR ATTENDING AND VOTING AT THE ANNUAL GENERAL MEETING

For the purpose of determining the shareholders' rights to attend and vote at the annual general meeting of the Company (the "Annual General Meeting"), the register of members of the Company will be closed from Thursday, 18 May 2017 to Monday, 23 May 2017 (both dates inclusive,) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 17 May 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

MAJOR SUBSEQUENT EVENTS

On 13 February 2017, a wholly owned subsidiary of the Company (as the purchaser) and Mr. Xue Zhangming (as the vendor) entered into a sale and purchase agreement in respect of the proposed acquisition of the 49% equity interest in Techluxe International Holding Limited. Techluxe International Holding Limited and its subsidiaries mainly engaged in mining exploration, processing and sales of marble products. The proposed purchase consideration was RMB280 million. A refundable deposits of RMB10 million has been made up to the date of approval of these financial statements. In the meantime, in order to better secure the possible acquisition and to show the Group's earnest of as well as its financial ability in completing the transaction, the Group agreed with the vendor to deposit a sum of RMB105 million as escrow money with an escrow agent (the "Escrow Agent") who is acceptable to both the vendor and the Group. The escrow account was commonly controlled by the Escrow Agent and the Group and no withdrawal from the escrow account can be made without the prior approval and signature of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards of dealings as set out in the Model Code throughout the year ended 31 December 2015, except for the non-compliance with Rules A.3(a)(i) and B.8 of the Model Code by Mr. LIU Chuanjia, an executive Director and a controlling shareholder of the

Company (the "Shareholder") during the black-out period for the publication of the Company's annual results for the year ended 31 December 2014. Immediately after the occurrence of the incident, the Company had taken appropriate remedial and corrective measures to enhance the internal control of the Company. The relevant details have been set out in the 2014 annual report and 2015 interim report of the Company.

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.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2016 (2015: Nil).

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") which comprises three independent non-executive Directors, namely, Mr. WANG Hengzhong (as chairman), Mr. LIU Jianhua and Mr. HUI Yat On pursuant to the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee has, in conjunction with the management of the Company, reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, and reviewed this results announcement as well as the annual results for the year ended 31 December 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has complied with the code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2016, except for the following deviation.

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

On 27 November 2015, Mr. LIU Chuanjia has been appointed as the Co-chief Executive Officer and Mr. WU Wenzhen has been re-designated as a Co-chief Executive Officer. They were jointly responsible for the overall management of the Group's day-to-day operations. Upon the appointment of Mr. LIU Chuanjia as one of the Chief Executive Officers, Mr. LIU Chuanjia assumes both roles which resulted in deviation from code provision A.2.1 of the CG Code. Despite so, in view of the rapid development of the Group and the further expansion of its downstream business, the Board believes that with the support of the management and Mr. LIU Chuanjia's extensive experience and knowledge in the business of the Group, vesting the roles of both Chairman and Co-chief Executive Officer in Mr. LIU Chuanjia strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision which is beneficial to the business development of the Group. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. Details of the aforesaid changes may be referred to in the announcement published on the websites of the Stock Exchange and the Company on 27 November 2015.

On 31 December 2015, Mr. WU Wenzhen has resigned as an executive Director and Co-chief Executive Officer. Following such resignation, Mr. LIU Chuanjia assumes the role as the Chief Executive Officer. Details of aforesaid changes can be referred to in the announcement published on the websites of the Stock Exchange and the Company on 31 December 2015.

The Company has separated the roles of the Chairman and the Chief Executive Officer by appointing Mr. GU Weiwen to replace Mr. LIU Chuanjia as the Chief Executive Officer with effect from 9 March 2016. From 1 December 2016, Mr. GU Weiwen has been re-designated and appointed as vice chairman of the Board, and Ms. WU Jing has been appointed as the Acting Chief Executive Officer. Upon the appointment of Ms. Wu as the Acting Chief Executive Officer, Ms. Wu assumes both the roles as the Chairman and the chief executive officer of the Company in deviation from code provision A.2.1 of the CG Code. Despite so, in view of the present rapid development of the Group and further expansion of its downstream business, the Board needs the experience of Mr. Gu in doing his Vice Chairman work and the Board believes that Mr. Gu and Ms. Wu's extensive experience and knowledge, together with the support of the management shall strengthen the solid and consistent leadership and thereby vesting the roles of both Chairman and the Acting Chief Executive Officer in Ms. Wu allows efficient business planning and decision which is in the best interest of the business development of the Group.

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

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND 2016 ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.artgo.cn). The annual report of the Company for the year ended 31 December 2016 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2017

As at the date of this announcement, the Board of Directors comprises five executive Directors namely Ms. Wu Jing, Mr. Gu Weiwen, Mr. Zhang Jian, Mr. Li Dingcheng, and Mr. Leung Ka Kit; one non-executive Director namely Mr. Gu Zengcai and three independent non-executive Directors namely Mr. Liu Jianhua, Mr. Wang Hengzhong and Mr. Hui Yat On.