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ARTGO HOLDINGS LIMITED

雅高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3313)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

RESULTS HIGHLIGHTS

- The revenue of the Group for the six months ended 30 June 2017 amounted to approximately RMB752.7 million (for the six months ended 30 June 2016: approximately RMB131.5 million), representing an increase of 472.4% or approximately RMB621.2 million as compared with the corresponding period in 2016.
- The profit before tax of the Group for the six months ended 30 June 2017 amounted to approximately RMB24.2 million (for the six months ended 30 June 2016: approximately RMB44.7 million), representing a decrease of 45.8% or approximately RMB20.5 million.
- The basic and diluted earnings per share attributable to ordinary equity holders of the Company for the six months ended 30 June 2017 amounted to approximately RMB0.01 (for the six months ended 30 June 2016: RMB0.02), representing a decrease of approximately RMB0.01.
- The Group's net profit for the six months ended 30 June 2017 was approximately RMB17.0 million (for the six months ended 30 June 2016: approximately RMB32.6 million), representing a decrease of 47.9% or approximately RMB15.6 million.

The board (the “**Board**”) of directors (the “**Directors**”) of ArtGo Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited interim condensed financial information of the Company for the six months ended 30 June 2017 (“**Review Period**”). The Company's interim results for the Review Period have been reviewed and approved by the audit committee under the Board (“**Audit Committee**”) and have been approved by the Board on 29 August 2017.

FINANCIAL INFORMATION

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	3	752,735	131,473
Cost of sales		<u>(698,584)</u>	<u>(57,291)</u>
Gross profit		54,151	74,182
Other income and gains	4	8,274	3,302
Selling and distribution expenses		(5,257)	(8,924)
Administrative expenses		(19,932)	(14,068)
Other expenses		(312)	(1,985)
Finance costs	5	(12,744)	(7,846)
Share of losses of associates		<u>(8)</u>	<u>–</u>
PROFIT BEFORE TAX	6	24,172	44,661
Income tax expense	7	<u>(7,123)</u>	<u>(12,081)</u>
PROFIT FOR THE PERIOD		<u>17,049</u>	<u>32,580</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic and diluted	8	<u>RMB0.01</u>	<u>RMB0.02</u>
Profit for the period attributable to:			
Owners of the Company		15,059	32,580
Non-controlling interests		<u>1,990</u>	<u>–</u>
		<u>17,049</u>	<u>32,580</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	17,049	32,580
Other comprehensive income		
<i>Items that will not be classified to profit or loss:</i>		
Exchange difference arising on translation to presentation currency	<u>2</u>	<u>–</u>
Total comprehensive income for the period	<u>17,051</u>	<u>32,580</u>
Total comprehensive income:		
attributable to:		
Owners of the Company	15,061	32,580
Non-controlling interests	<u>1,990</u>	<u>–</u>
	<u>17,051</u>	<u>32,580</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	79,459	60,866
Investment properties	9	97,389	98,401
Prepaid land lease payments	9	13,986	13,271
Intangible assets	9	1,022,571	1,022,719
Prepayments, deposits and other receivables	10	13,667	14,168
Payments in advance		209,523	480,561
Interests in associates		318,880	–
Deferred tax assets		9,737	9,537
Restricted deposits		2,312	2,455
		1,767,524	1,701,978
CURRENT ASSETS			
Inventories		203,512	179,361
Trade receivables	11	51,817	23,159
Prepayments, deposits and other receivables	10	552,100	218,813
Pledged deposits		94,226	94,226
Cash and bank balances		48,122	60,896
		949,777	576,455
CURRENT LIABILITIES			
Trade and bills payables	12	180,875	153,150
Other payables and accruals	13	242,713	80,363
Tax payables		29,006	24,636
Bank and other borrowings	14	422,485	197,682
		875,079	455,831
NET CURRENT ASSETS		74,698	120,624
TOTAL ASSETS LESS CURRENT LIABILITIES		1,842,222	1,822,602

		30 June 2017	31 December 2016
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Bank and other borrowings	<i>14</i>	5,000	5,000
Deferred tax liabilities		2,229	2,229
Deferred income	<i>15</i>	5,388	5,480
Provision for rehabilitation		13,655	13,323
		<hr/>	<hr/>
Total non-current liabilities		26,272	26,032
		<hr/>	<hr/>
Net assets		1,815,950	1,796,570
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		15,482	15,482
Reserves		1,480,425	1,463,033
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,495,907	1,478,515
Non-controlling interests		320,043	318,055
		<hr/>	<hr/>
Total equity		1,815,950	1,796,570
		<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

2.3 CHANGE IN ACCOUNTING POLICIES

In the Review Period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	Annual Improvements 2014-2016 Cycle — Disclosure of Interests in Other Entities

The application of the above new amendments to IAS and IFRS in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements but the application may have impact on disclosures in the consolidated financial statements for the year ending 31st December, 2017.

3. REVENUE AND OPERATING SEGMENT INFORMATION

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

The Group's revenue and contribution to consolidated results are mainly derived from its sale of marble and marble related products, and commodity trading which is consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment.

Entity-wide disclosures

Information about products

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

	For the six months ended 30 June			
	2017		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(Unaudited)		(Unaudited)	
Marble blocks	22,298	3.0	79,788	60.7
One-side-polished slabs	38,073	5.1	16,315	12.4
Cut-to-size slabs	7,101	0.9	14,993	11.4
Commodity trading	685,263	91.0	20,377	15.5
	<u>752,735</u>	<u>100</u>	<u>131,473</u>	<u>100</u>

Operating Segment Information

	For the six months 30 June 2017		
	Marble products <i>RMB'000</i> (Unaudited)	Commodity trading <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
SEGMENT REVENUE	67,472	685,263	752,735
Segment results	25,038	8,581	33,619
<i>Reconciliation:</i>			
Interest income			153
Foreign currency gains, net			3,152
Financial costs			(12,744)
Share of losses of associates	(8)	-	(8)
Profit before tax			<u>24,172</u>
	For the six months ended 30 June 2016		
	Marble products <i>RMB'000</i> (Unaudited)	Commodity trading <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
SEGMENT REVENUE	111,096	20,377	131,473
Segment results	49,869	143	50,012
<i>Reconciliation:</i>			
Interest income			2,366
Foreign currency gains, net			129
Financial costs			(7,846)
Profit before tax			<u>44,661</u>

Geographical information

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Domestic*:		
Mainland China	745,224	123,708
Overseas	7,511	7,765
	<u>752,735</u>	<u>131,473</u>

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

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

Information about major customers

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Customer A	275,060	–
Customer B	146,417	–
Customer C	86,143	–
Customer D	–	34,262
Customer E	–	23,850
Customer F	–	22,721
Customer G	–	21,428
	<u> </u>	<u> </u>

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)
Bank interest income	153	2,366
Government subsidy	108	132
Foreign exchange gains, net	3,152	129
Rental income	3,818	–
Write-back the impairment loss on trade receivable	986	–
Miscellaneous	57	675
	<hr/>	<hr/>
Total other income and gains	8,274	3,302

5. FINANCE COSTS

	For the six months ended 30 June	
	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)
Interest on bank loans	6,996	4,013
Interest on instalments	–	825
Unwinding of discount on rehabilitation	332	391
Interest on bills receivable discounted	16	2,617
Interest on other borrowings	5,400	–
	<hr/>	<hr/>
Total	12,744	7,846

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cost of inventories sold	698,584	57,291
Employee benefit expense (including directors' and chief executive's remuneration)	8,922	11,083
Depreciation of property, plant and equipment (note 9)	4,952	2,820
Depreciation of investment properties (note 9)	1,012	–
Amortisation of prepaid land lease (note 9)	183	133
Amortisation of intangible assets (note 9)	446	201
Minimum lease payments under operating leases:		
— Office	3,021	375
— Warehouses	2,326	4,010
— Parcels of land located at Shangsheng Village (note 10(a))	29	520
Impairment of trade receivables (note 11)	–	565
Auditors' remuneration	–	–
Foreign exchange gains, net	(3,152)	(129)
Bank interest income (note 4)	(153)	(2,366)
Rental income	(3,818)	–

7. INCOME TAX

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Current — Mainland China		
Charged for the period	7,323	13,583
Deferred	(200)	(1,502)
Total tax charge for the Review Period	7,123	12,081

Notes:

- Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- No provision for Hong Kong profits tax has been made as the Group had no taxable profits derived from or earned in Hong Kong during the Review Period.
- Pursuant to the income tax rules and regulations in the PRC, the subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated during the Review Period.

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

The calculation of earnings per share is based on the profit attributable to owners of the Company for the Review Period of RMB15,059,000 (six months ended 30 June 2016: RMB32,580,000) and the weighted average number of ordinary shares of 1,911,334,000 (six months ended 30 June 2016: 1,593,334,000) in issue during the Review Period.

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

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

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

	Property, plant and equipment <i>RMB'000</i> (Unaudited)	Investment properties <i>RMB'000</i> (Unaudited) <i>(Note a)</i>	Intangible assets <i>RMB'000</i> (Unaudited) <i>(Note b)</i>	Prepaid land lease payments <i>RMB'000</i> (Unaudited) <i>(Note c)</i>
Carrying amount at 1 January 2017	60,866	98,401	1,022,719	13,271
Additions	23,545	–	298	898
Depreciation/amortisation charged for the Review Period <i>(note 6)</i>	<u>(4,952)</u>	<u>(1,012)</u>	<u>(446)</u>	<u>(183)</u>
Carrying amount at 30 June 2017	<u><u>79,459</u></u>	<u><u>97,389</u></u>	<u><u>1,022,571</u></u>	<u><u>13,986</u></u>

Notes:

- (a) At 30 June 2017, the investment properties with aggregate carrying amount of RMB97,389,000 (31 December 2016: Nil) were pledged to secure the other secured and guaranteed borrowings of RMB90,000,000 mentioned in note (14).
- (b) At 30 June 2017, certain of the intangible assets of the Group, with aggregate carrying amount of RMB116,627,000 (31 December 2016: RMB116,627,000) were pledged to banks to secure certain of the bank loans granted to the Group.
- (c) At 30 June 2017, prepaid land lease payments of the Group with aggregate carrying amount of RMB12,369,000 (31 December 2016: RMB13,537,000) were pledged to banks to secure certain of the bank loans granted to the Group.

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Current portion:		
Prepayments in respect of:		
— Processing fee	15,317	2,928
— Office rental	2,941	68
— Warehouse rental	—	1,625
— 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, marble slabs	78,174	56,171
— Commodity trading	111,589	—
— Others	9,051	772
Deposits	19,079	6,291
Refundable payment in advance in respect of the purchase of property, plant and equipment	306,273	—
Refundable deposits for acquisition of an associate	—	50,000
Deductible input value-added tax	3,218	827
Deferred rental income	2,872	—
Due from a shareholder	—	94,853
Other receivables	2,501	4,193
Total	552,100	218,813
Non-current portion:		
Prepayments in respect of:		
— Lease of parcels of land located at Shangsheng Village (a)	8,279	8,688
— Cultivated land used tax (b)	5,388	5,480
	13,667	14,168

Notes:

- (a) The balances represent prepayments made to the villagers for the use of parcels of land in Shangsheng Village for mining activities at the mine located in the Yongfeng Country of Jiangxi Province of China (“Yongfeng Mine”). Based on the various agreements entered into among Jueshi Mining, the Shangsheng Village Committee and the villagers, Jueshi Mining prepaid RMB12,280,000 in aggregate, for rights to use the said parcels of land for a period of 15 years since the effective dates of the respective lease agreements.
- (b) The balance represents prepayment made to the local taxation authorities for the occupation of farmland at the Yongfeng Mine. The prepayment will be charged to profit or loss on straight-line method over the terms of the mining right.

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

11. TRADE AND BILLS RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	61,412	33,740
Impairment	(9,595)	(10,581)
Total	<u>51,817</u>	<u>23,159</u>

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

An aged analysis of the trade receivables as at 30 June 2017 and 31 December 2016, based on the delivery date and net of provision, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
0–30 days	38,858	7,702
31–90 days	1,931	6,145
91–180 days	4,880	5,479
181–365 days	6,023	1,717
Over 1 year	125	2,116
	<u>51,817</u>	<u>23,159</u>

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
At the beginning of the year	10,581	5,482
Impairment loss recognised	–	5,099
Write-back impairment loss	(986)	–
Impairment loss recognised	<u>9,595</u>	<u>10,581</u>

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

During the Review Period, the Group has confirmed the interest expenses on discounted bills issued for the Group's internal transactions is RMB16,000 (six months ended 30 June 2016: RMB2,617,000).

12. TRADE AND BILLS PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade payables	38,075	10,350
Bills payable	142,800	142,800
	<u>180,875</u>	<u>153,150</u>

An aged analysis of the trade and bills payable as at 30 June 2017 and 31 December 2016, based on the invoice date or issue date, where appropriate, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
0–30 days	4,037	73,377
31–60 days	6,804	1,538
61–90 days	388	544
Over 91 days	169,646	77,691
	<u>180,875</u>	<u>153,150</u>

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

As at 30 June 2017, the Group's bills payable were secured by pledged time deposits of RMB94,226,000 (31 December 2016: RMB94,226,000).

13. OTHER PAYABLES AND ACCRUALS

	30 June 2017	31 December 2016
<i>Note</i>	RMB'000	RMB'000
	(Unaudited)	(Audited)
<i>Current portion:</i>		
Advances from customers	18,865	6,059
Advances from a non-controlling interests	1,200	–
Payables relating to:		
Purchase of property, plant and equipment	8,621	10,750
Purchase of mining rights	18,600	18,600
Payroll and welfare	10,988	10,704
Taxes other than income tax	5,554	7,226
Professional fees	6,301	6,638
Mineral resources compensation fees	4,853	5,501
Rental fees	2,164	2,410
Distributors' earnest money	4,553	1,920
Security deposit	4,040	1,886
Land occupation fee	–	936
Other office expenses	2,781	1,920
The acquisition of interests in associates	135,000	–
Interest payables	8,556	4,105
Others	10,637	1,708
	242,713	80,363

- (a) The acquisition of interests in associates is related to the acquisition of 49% shareholding of Techlux International Holdings Ltd. and its subsidiaries (“Techlux Group”), which holds the mine located at Xianggelila in Yunnan Province. The total purchase consideration was RMB280 million. Details please refer to the Group’s announcement on 13 February 2017, 13 May 2017 and 31 May 2017 respectively.

At the end of Review Period, the remaining balance for the said acquisition is RMB135,000,000.

14. BANK AND OTHER BORROWINGS

	30 June 2017	31 December 2016
<i>Notes</i>	RMB'000	RMB'000
	(Unaudited)	(Audited)
Bank loans:		
Secured and guaranteed	(a) 89,758	56,000
Secured	(a) 52,861	54,890
Guaranteed	(b) 9,473	7,492
Unsecured	50,000	50,000
	<u>202,092</u>	<u>168,382</u>
Effective interest rate per annum (%)	<u>5.66–8.10</u>	<u>5.66–7.00</u>
Other borrowings:		
Secured and guaranteed	(a) 90,000	34,300
Unsecured	135,392	–
	<u>225,392</u>	<u>34,300</u>
Effective interest rate per annum (%)	<u>10–12</u>	<u>6.53</u>
Analysed into:		
Bank loans repayable:		
Within one year	197,093	163,382
In the second year	5,000	5,000
	<u>202,093</u>	<u>168,382</u>
Other borrowings repayable:		
Within one year	<u>225,392</u>	<u>34,300</u>
Total bank and other borrowings	427,485	202,682
Portion classified as current liabilities	<u>(422,485)</u>	<u>(197,682)</u>
Non-current portion	<u>5,000</u>	<u>5,000</u>

- (a) The Group's bank loans and other borrowings of approximately RMB232,619,000 as at 30 June 2017 (31 December 2016: RMB145,190,000) were secured by certain assets with net carrying values as follows:

	<i>Notes</i>	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Secured by:			
Prepaid land lease payments	9	12,369	13,537
Mining rights to Zhangxi and Lingnan mines	9	116,627	116,627
Time deposits	9	1,400	1,400
Investment properties		97,389	–
		227,785	131,564

The Group's secured bank and other borrowings of approximately RMB179,758,000 as at 30 June 2017 (31 December 2016: RMB90,300,000) 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 RMB9,473,000 as at 30 June 2017 (31 December 2016: RMB7,492,000) were guaranteed by an independent third party, Xiamen Siming Technique Financial Guarantee Co., Ltd, with a guarantee charge of RMB80,000 and a non-controlling interests.

15. DEFERRED INCOME

	<i>RMB'000</i>
Government grant	
At 1 January 2017	5,480
Released to profit or loss	(92)
At 30 June 2017 (unaudited)	<u>5,388</u>

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

16. SHARE OPTION SCHEMES

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

As at 30 June 2017, the Company had 2,666,668 share options outstanding under the Pre-IPO Share Option Scheme. All of the outstanding share options are vested. The exercise price of the share options is HK\$2.39 per share. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,666,668 additional ordinary shares of the Company and additional share capital of approximately HK\$26,667 and share premium of approximately HK\$6,346,669 (before issue expenses).

At the date of approval of this interim condensed financial information, the Company had 2,666,668 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.

17. DIVIDENDS

At a meeting of the Board held on 29 August 2017, the Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

18. COMMITMENTS

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

	30 June 2017 RMB’000 (Unaudited)	31 December 2016 RMB’000 (Audited)
Contracted, but not provided for:		
— Plant and equipment	1,512	165,614
— Land use rights	12,310	32,787
	<u>13,822</u>	<u>198,401</u>

MANAGEMENT DISCUSSION AND ANALYSIS

During the year of 2016 and first half year of 2017, the Company has acquired 100% interests of Guiguan Mine, Dejiang Mine, and 49% interests of Shangri-La Mine. All of the above mentioned acquisition have been completed.

As at 30 June 2017, the Group has a network of 150 distributors, covering 95 cities across 29 provinces and autonomous regions in the People's Republic of China (the "PRC" or "China"). In addition, the Group has further enhanced and expanded its direct sales channels. To provide customers with more comprehensive marble products, we are also actively seeking marble resources that can bring synergies to the Group and provide a useful complement to existing products in terms of colours.

RESOURCES AND RESERVES

Guiguan Mine

Our Guiguan Mine is located in Guanyang County, Guiyang of Guangxi Province in China, the Guiguan Mine occupies 0.0808 km² of the place. The area is within the administration of Wenshi Town, Guanyang County. And it is 20km away from the center of the county, covering districts of Wang Dao Village and Qing Weidi Village in the east of the town.

There are 3 sections in the area, including Da Beipian (大碑片), Wang Dao (王道) and Qi Cenglou (七層樓). With Xiarong Highway and S302 Provincial Highway passing through the Wen Shi town, it enjoys convenient transportation since each section is also linked to the town through Cancun Highway and Kuangshanxin Road.

The table below summarizes key information related to our current mining permit for Gui Guan Mine.

Owner	Guiyang Gui Guan Stone Ltd. (Our subsidiary)
Nature of resource	marble stone
Covered area	0.0808 square kilometer
Issuance date	7 December 2015
Expiration date	7 December 2018
Permitted production volume	132,300 tons per annum

According to Si Chuan Di Pingxian Mineral Resources Consulting Co. Ltd, the total reservation of decoration-used limestone of our Guiguan Mine is assessed at approximately RMB445.6 million as at 30 November 2016.

The following table summarizes the marble resources of Guiguan Mine, estimated as at 30 June 2017 under the PRC Classification of Solid Mineral Resources and Reserves (“PRC Classification”).

Resources	Millions of cubic meters
Total reservation	182.28
Available resources	127.60
Recoverable resources	103.35

There was approximately RMB22.0 million capital expenditure of Guiguan Mine incurred as at 30 June 2017. (2016: Nil)

Our Guiguan Mine enjoys 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 Guiguan Mine and its ready access to utilities, help the Group to achieve a lower operating cost and 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	0.252 square kilometer
Issuance date	1 July 2015
Expiration date	1 January 2019
Permitted production volume	30,000 cubic meters per annum

According to Si Chuan Di Pingxian Mineral Resources Consulting Co. Ltd, the total reservation of decoration-used limestone of Dejiang Mine is assessed at approximately RMB303.1 million as at 30 November 2016.

The following table summarizes the marble resources of Dejiang Mine, estimated as at 30 November 2016 under the PRC Classification.

Resources	Millions of cubic meters
Total Reservation	18.29
Available Resources	13.28
Recoverable Resources	12.62

There was no capital expenditure of Dejiang Mine incurred as at 30 June 2017. (2016: Nil)

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

Shangri-La Mine

Our Shangri-La Mine is located in Shangri-La, Diqing Prefecture, YunNan Province in China. It is 50km away from the city centre, 260km away from the Dali Train Station and 620km away from the provincial city, Kunming. The 214 provincial highway goes through the edge of the mine area. As such, the Shangri-La Mine enjoys convenient transportation.

The Table below summarizes key information related to current mining permit for the Shangri-La Mine.

Holder	Shangri-La ShiQuan Stone Resource Co.Ltd. (a subsidiary of the Company)
Nature of resource	marble
Covered area	0.1649 square kilometer
Issuance date	March 2015
Expiration date	March 2018
Permitted production volume	50,000 cubic meters per annum

According to Si Chuan Di Pingxian Mineral Resources Consulting Co. Ltd, Shangri-La Mine's total reservation of limestone is assessed at approximately 574.7 million as at 31 December 2016.

The following table summarizes the marble resources of Shangri-La Mine, estimated as at 31 December 2016 under the PRC Classification.

Resources	Millions of cubic meters
Total Reservation	258.78
Available Resources	189.72
Recoverable Resources	180.23

There was no capital expenditure of Shangri-La Mine incurred as at 30 June 2017 (2016: Nil).

Our Shangri-La Mine enjoys favorable 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 Shangri-La Mine and its ready access to utilities, help the Group to achieve a lower operating cost and higher profit margin.

Yongfeng Mine

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

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

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

The following table summarizes the marble resources and reserves of our Yongfeng Mine, estimated as of 31 December 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
	<hr/>
Total	106.6
	<hr/> <hr/>
Reserves	Millions of cubic meters
Proved	23
Probable	21
	<hr/>
Total	44
	<hr/> <hr/>

In the Review Period, there was no capital expenditure of the Yongfeng Mine incurred (ended 30 June 2016: NIL).

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

Zhangxi Mine

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

Holder	Jiangxi Jueshi (Ji'an) Mining Co., Ltd. ("Ji'an Mining") (our subsidiary)
Nature of resource	marble
Covered area	approximately 0.7 square kilometer
Issuance date	23 July 2015
Expiration date	23 July 2018
Permitted production volume	20,000 cubic meters per annum

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

The following table summarizes the marble resources of our Zhangxi Mine, estimated as of 31 December 2016 under the PRC Classification of Solid Mineral Resources and Reserves ("PRC Classification").

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

In the Review Period, there was no capital expenditure of the Zhangxi Mine incurred by the Group (for 2016: NIL).

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

Lingnan Mine

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

Holder	Jian Mining
Nature of resource	marble
Covered area	approximately 0.2 square kilometers
Issuance date	23 July 2015
Expiration date	23 July 2018
Permitted production volume	10,000 cubic meters per annum

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

The following table summarizes the marble resources of our Lingnan Mine, estimated as of 31 December 2016 under the PRC Classification.

Resources	Millions of cubic meters
Indicated	2.3
Inferred	1.2
Total	<u>3.5</u>

In the Review Period, there was no capital expenditure of the Lingnan Mine incurred by the Group (for 2016: NIL).

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

REVENUE

During the Review Period, the Group recorded an operating revenue of approximately RMB752.7 million, representing an increase of 472.4% or approximately RMB621.2 million compared to the corresponding period of the previous year, mainly due to the increase of the sales of commodity trading of RMB664.9 million in the Review Period. The trading of commodities laid a foundation for the Group's plan of the development of modern logistics business. As such, the Group will continue to pursue the commodities trading business in the future.

(a) Sales by product categories

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

	For the six months ended 30 June					
	2017 (Unaudited)			2016 (Unaudited)		
	<i>RMB'000</i>	%	Gross profit margin (%)	<i>RMB'000</i>	%	Gross profit margin (%)
Marble blocks	22,298	3.0	81.6	79,788	60.7	80.1
One-side-polished slabs	38,073	5.1	43.9	16,315	12.4	43.0
Cut-to-size slabs	7,101	0.9	21.1	14,993	11.4	20.6
Commodity Trade	685,263	91.0	2.6	20,377	15.5	0.7
Total	<u>752,735</u>	<u>100.0</u>	<u>7.2</u>	<u>131,473</u>	<u>100.0</u>	<u>56.4</u>

(b) Sales by Volume and Average Selling Price

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

	For the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Sales volume		
Marble blocks (m ³)	6,777	18,995
One-side-polished slabs (m ²)	352,528	89,500
Cut-to-size slabs (m ²)	34,471	58,067
Commodity trading (RMB/Ton)	177,208	5,147
Average selling price		
Marble blocks (RMB/m ³)	3,290	4,201
One-side-polished slabs (RMB/m ²)	108	182
Cut-to-size slabs (RMB/m ²)	206	258
Commodity trading (RMB/Ton)	3,867	3,959

The unit selling price of marble blocks decreased by approximately 21.7% comparing to that of the corresponding period of 2016, which was mainly due to: (i) some discounts were provided for marble blocks, given changes of color and texture due to natural causes; and (ii) in order to satisfy additional market demand for color and texture, a couple of marble blocks with lower quality were purchased and sold, leading to the lower unit selling price.

The unit selling price of one-side-polished slabs decreased by approximately 40.6% comparing to that of the corresponding period of 2016, which was mainly due to promotion of certain products with a relatively long age to secure more market shares.

The unit selling price of cut-to-size slabs decreased by approximately 20.2% comparing to that of the corresponding period of 2016, which was mainly due to the fact that most of corporate customers during the Review Period were engaged in renovation constructions and had different grade requirements for our products from primary corporate customers engaged in real estate development in the corresponding period in 2016, leading to adjustments made to our product mix and relatively lower unit selling price.

The unit selling price of commodity trading slightly decreased by 2.3% comparing to that of the corresponding period of 2016.

COST OF SALES

In the Review Period, the Group's cost of sales amounted to approximately RMB698.6 million, including the cost of marble of RMB31.1 million, which represented approximately 4.4% of the total cost of sales; and the cost of commodity trading of RMB667.5 million, which represented approximately 95.6% of the total cost of sales. During the Review Period, the increase in cost of sales was in line with the increase in sales and production volume.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group in the Review Period decreased by approximately RMB20.0 million as compared to that of corresponding period of 2016. The gross profit margin in the Review Period was approximately 7.2%, while the gross profit margin in corresponding period of 2016 was approximately 56.4%. The gross profit margin of the sales of the Group in the Review Period decreased as compared to that of 2016 is mainly attributable to the significant growth of the commodities trading which has low gross profit margin.

OTHER INCOME AND GAINS

Other income and gains mainly attributable to the rental income generated from the investment properties in the PRC and foreign exchange gain. Rental income and foreign exchange gain for the review period amounted to RMB3.8 million and RMB3.1 million respectively.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses, mainly comprised of salaries of the Group's sales and distribution staff, travelling expenses, entertainment allowance, advertising costs and transportation costs, were approximately RMB5.2 million, representing approximately 0.7% of the revenue in the Review Period, while the selling and distribution expenses of RMB8.9 million in the corresponding period in 2016 accounted for approximately 6.8% of the revenue in the corresponding period in 2016. The selling and distribution expenses in the Review Period were decreased by RMB3.7 million compared to that of the corresponding period.

ADMINISTRATIVE EXPENSES

Administrative expenses, mainly comprised of salaries of administrative staff, office rental expense, consultancy fees, other professional fee and depreciation of property, plant and equipment, were RMB19.9 million, accounting for approximately 2.6% of the revenue in the Review Period. The administrative expenses were RMB14.1 million in the corresponding period in 2016, accounting for approximately 10.7% of the revenue for the corresponding period in 2016. The administrative expenses in the Review Period were increased by RMB5.8 million compared to that of the corresponding period, mainly due to the increase of office rental expense and depreciation of property, plant and equipment.

FINANCE COSTS

Finance costs mainly included interests on bank loans and other borrowings. The finance costs increased by RMB4.9 million from RMB7.8 million in the corresponding period in 2016 to RMB12.7 million in the Review Period.

HUMAN RESOURCES AND REMUNERATION POLICY

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

As at 30 June 2017, the total number of full-time employees of the Group was 213 (as at 30 June 2016: 281). Total employee costs (including the directors' remunerations) amounted to approximately RMB8.9 million for the Review Period (for the six months ended 30 June 2016: approximately RMB11.1 million). Taking into account of the strategic goal of the Group, operating results, efforts and contributions made by each of the executive directors, senior management and employees, and for the purposes of recognizing their value, motivating for better performance and skills, maintaining the Company's fast-growing development and achieving its long and short-term goals, the remunerations are in line with the market performance and the corresponding qualifications and abilities, and adjustments are made according to varied percentage, and the staff costs had a slight decrease in the Review Period. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale.

INCOME TAX EXPENSE

Income tax expense decreased by approximately RMB4.9 million for the six months ended 30 June 2017 to approximately RMB7.1 million for the Review Period.

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

The net profits attributable to owners of the Company during the Review Period amounted to approximately RMB15.0 million, compared to RMB32.6 million for the corresponding period in 2016. The decreased net profits were in line with the decrease of high margin revenue from sale of market products during the Review Period.

NET CURRENT ASSETS

As at ended 30 June 2017, the Group has net current assets of approximately RMB74.7 million (31 December 2016: the net current assets of the Group was approximately RMB120.6 million).

CURRENT RATIO

The current ratio, being current assets over current liabilities, was 1.08 as at 30 June 2017 (31 December 2016: 1.26). The current ratio slightly decreased by 0.18 during the Review Period.

BORROWINGS

As at 30 June 2017, the Group had total borrowings of approximately RMB427.5 million (31 December 2016: RMB202.7 million). During the Review Period, the net amount increased in borrowings is approximately RMB224.8 million. The increase was mainly attributable to the raising of two other borrowings: the borrowing of approximately RMB135.4 million; and the borrowing of RMB90 million respectively.

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 loans and other loans and it excludes liabilities incurred for working capital purposes. As at 30 June 2017, the gearing ratio was approximately 16% (31 December 2016: approximately 3%).

CAPITAL EXPENDITURE

The Group's ability to maintain and increase its sales and profits depends upon continued capital spending. Capital expenditures are used to purchase mining rights, land, property, plant and equipment. For the Review Period, the Group's expenditure for (i) purchase of property, plant and equipment amount to RMB23.5 million and (ii) expenses on land use right amounted to approximately RMB35.2 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 and a non-bank interest bearing borrowing which are denominated in HK\$ and US\$. As such, the Group has limited exposure to any significant foreign currency exchange risks. The Board does not expect any material impact on the Group's operations caused by any foreign currency fluctuations. No financial instruments were employed by the Group for hedging purpose during the Review Period.

PLEDGE OF ASSETS

As at 30 June 2017, the Group pledged bank deposits of approximately 94.2 million (31 December 2016: approximately RMB94.2 million) to issue banker's acceptance bills and letter of credit of the Group.

During the Review Period, the investment properties with carrying amount of approximately RMB97.4 were pledged to secure a non-bank interest bearing borrowings of RMB90 million.

IMPORTANT EVENTS OCCURRED AFTER REVIEW PERIOD

On 1 July 2017, Sun Securities Limited (the "**Placing Agent**") and the Company entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 191,133,400 placing shares of the Company at the placing price of HK\$1.00 per placing share (the "**Placing Shares**") to not less than six independent placees (the "**Placing**"). The Placing was completed on 24 July 2017 and an aggregate of 159,300,000 Placing Shares (representing 7.69% of the enlarged issued share capital of the Company) have been successfully placed to not less than six placees. The net proceeds from the Placing is approximately HK\$156.8 million after deducting commission payable to the Placing Agent and other expenses incidental to the Placing. Details of the Placing are set out in the Company's announcement dated 3 July 2017 and 24 July 2017 respectively.

MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER ISSUES

On 13 February 2017, ArtGo Investment Limited (the “**Purchaser**”), a wholly-owned subsidiary of the Company and Mr. Xue Zhang Ming (the “**Vendor**”) entered into a sale and purchaser agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell 49% of the issued share capital of Techlux International Holding Limited at the Consideration of RMB280,000,000 (the “**Acquisition of Shangri-La Mine**”). The Acquisition of Shangri-La Mine is completed on 31 May 2017. Pursuant to the supplemental agreement entered into between the Purchaser and the Vendor on 31 May 2017, the remaining balance of the consideration for Acquisition of Shangri-La Mine in the amount of RMB270,000,000 shall be payable by the Purchaser within 90 business days upon completion. Details of the Acquisition of Shangri-La Mine are set out in the Company’s announcement dated 13 February 2017 and 31 May 2017 respectively. As at the date of this announcement, the remaining balance to be paid by the Purchaser to the Vendor for Acquisition of Shangri-La Mine is RMB135,000,000.

FUTURE PLAN

Looking forward, the Group will continue its plan in developing and expanding 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 Shangri-La Mine will 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.

In the future, the Company will continue focusing on the mine resource integration of stone industry, and increase the self-owned mines in Jiangxi, Guangxi, Yunan, Guizhou and other provinces. The Company will also improve the manufacturing and processing system and achieve base-operation to enhance the sale arrangement. Meanwhile, the Company will further expand its modern logistics, material processing (including processing of marble stones) and supply chain finance business for development of commodity trading for enhanced profitability.

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017 except for the following deviation.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards of dealings as set out in the Model Code throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

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

The Audit Committee has in conjunction with the management of the Company reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this results announcement and the 2016 interim report of the Company as well as the interim condensed financial information of the Group for the six months ended 30 June 2017.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

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

Hong Kong, 29 August 2017

As at the date of this announcement, the executive Directors are Mr. Gu Weiwen, Mr. Zhang Jian, Ms. Wu Jing, Dr. Leung Ka Kit and Mr. Li Dingcheng, the non-executive Director is Mr. Gu Zengcai, and the independent non-executive Directors are Ms. Zhang Xiaohan, Ms. Lung Yuet Kwan and Mr. Hui Yat On.