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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 2018**

#### **RESULTS HIGHLIGHTS**

- The revenue of the Group for the six months ended 30 June 2018 amounted to approximately RMB97.9 million (for the six months ended 30 June 2017: approximately RMB752.7 million), representing a decrease of 87% or approximately RMB654.8 million as compared with the corresponding period in 2017.
- The loss before tax of the Group for the six months ended 30 June 2018 amounted to approximately RMB38.7 million as compared to a profit of approximately RMB24.2 million for the six months ended 30 June 2017.
- The basic and diluted loss per share attributable to ordinary equity holders of the Company for the six months ended 30 June 2018 amounted to approximately RMB0.02 as compared to a earning per share of RMB0.01 for the six months ended 30 June 2017.
- The Group's net loss for the six months ended 30 June 2018 was approximately RMB41.0 million (for the six months ended 30 June 2017: net profit of approximately RMB17.0 million).

The board (the “**Board**”) of directors (the “**Directors**”) of ArtGo Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces the unaudited interim condensed financial information of the Company for the six months ended 30 June 2018 (“**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 31 August 2018.

## FINANCIAL INFORMATION

### INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	For the six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>Revenue</b>	3	<b>97,872</b>	752,735
Cost of sales		<u>(75,614)</u>	<u>(698,584)</u>
<b>Gross profit</b>		<b>22,258</b>	54,151
Other income and gain	4	<b>4,505</b>	8,274
Selling and distribution expenses		<b>(3,259)</b>	(5,257)
Administrative expenses		<b>(42,565)</b>	(19,932)
Other expenses		<b>(45)</b>	(312)
Finance costs	5	<b>(19,461)</b>	(12,744)
Share of losses of associates		<u><b>(152)</b></u>	<u>(8)</u>
<b>(LOSS)/PROFIT BEFORE TAX</b>	6	<b>(38,719)</b>	24,172
Income tax expense	7	<u><b>(2,320)</b></u>	<u>(7,123)</u>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<u><b>(41,039)</b></u>	<u>17,049</u>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:</b>			
Basic and Diluted		<u><b>(RMB0.02)</b></u>	<u>RMB0.01</u>
<b>(Loss)/Profit for the period attributable to:</b>			
Owners of the Company		<b>(40,728)</b>	15,059
Non-controlling interests		<u><b>(311)</b></u>	<u>1,990</u>
		<u><b>(41,039)</b></u>	<u>17,049</u>

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

*For the six months ended 30 June 2018*

	<b>For the six months ended 30 June</b>	
	<b>2018</b>	2017
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>(Loss)/Profit for the period</b>	<b>(41,039)</b>	17,049
<b>Other comprehensive income</b>		
<i>Items that will not be classified to profit or loss:</i>		
Exchange difference arising on translation to presentation currency	—	2
<b>Total comprehensive income for the period</b>	<b>(41,039)</b>	17,051
<b>Total comprehensive income:</b>		
<b>attributable to:</b>		
Owners of the Company	(40,728)	15,061
Non-controlling interests	(311)	1,990
	<b>(41,039)</b>	17,051

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2018*

		30 June 2018	31 December 2017
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	133,484	130,599
Investment properties	9	93,373	94,334
Prepaid land lease payment	9	355,355	358,956
Intangible assets	9	1,010,332	1,010,669
Prepayments, deposits and other receivables	10	13,443	13,141
Goodwill		19,179	19,179
Interest in associates		376,902	375,399
Payments in advance		161,228	156,666
Deferred tax assets		9,737	9,737
Restricted deposits		2,566	2,560
		<b>2,175,599</b>	2,171,240
<b>CURRENT ASSETS</b>			
Inventories		69,180	129,203
Trade and bills receivables	11	394,020	433,109
Prepayments, deposits and other receivables	10	196,995	68,933
Pledged deposits		–	1,129
Cash and cash balances		8,035	29,356
		<b>668,230</b>	661,730
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	119,220	196,291
Other payables and accruals	13	143,652	111,428
Tax payables		31,666	30,970
Bank and other borrowings	14	220,868	174,403
		<b>515,406</b>	513,092
<b>NET CURRENT ASSETS</b>		<b>152,824</b>	148,638
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,328,423</b>	2,319,878

		<b>30 June 2018</b>	31 December 2017
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings	<i>14</i>	<b>224,500</b>	224,500
Deferred tax liabilities		<b>12,223</b>	12,226
Deferred income	<i>15</i>	<b>5,165</b>	5,270
Provision for rehabilitation		<b>17,110</b>	17,100
		<hr/>	<hr/>
Total non-current liabilities		<b>258,998</b>	259,096
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>2,069,425</b>	2,060,782
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owner of the Company			
Issued capital		<b>18,729</b>	18,349
Reserves		<b>1,733,593</b>	1,725,019
		<hr/>	<hr/>
Equity attributable to owner of the Company		<b>1,752,322</b>	1,743,368
Non-controlling interests		<b>317,103</b>	317,414
		<hr/>	<hr/>
<b>Total equity</b>		<b>2,069,425</b>	2,060,782
		<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 located at Unit 1302, 13/F., Golden Centre, 188 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 the trading of commodities and cargo handling, warehousing and logistics services.

### 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 2017.

### 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 2017.

### 2.3 CHANGE IN ACCOUNTING POLICIES

In the Review Period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs"), approved by the International Accounting Standards Board (the "IASB"), International Accounting Standards ("IASs") and Standing Interpretations Committee that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendment to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements</i> <i>2014–2016 Cycle</i>	Amendments to IFRS 1 and IAS 28

The application of the above new amendment to IFRS and IAS 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.

### 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, commodity trading and logistics services 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			
	2018		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(Unaudited)		(Unaudited)	
Marble blocks	12,084	12.3	22,298	3.0
One-side-polished slabs	26,979	27.6	38,073	5.1
Cut-to-size slabs	2,887	2.9	7,101	0.9
Commodity trading	55,142	56.3	685,263	91.0
Logistics services	780	0.9	–	–
	<u>97,872</u>	<u>100</u>	<u>752,735</u>	<u>100</u>

### Operating Segment Information

	For the six months ended 30 June 2018			
	Marble products	Commodity trading	Logistics services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE	41,950	55,142	780	97,872
<b>Segment results</b>	<b>704</b>	<b>2,231</b>	<b>(1,772)</b>	<b>1,163</b>
<i>Reconciliation:</i>				
Interest income				26
Foreign currency (loss), net				(111)
Finance costs				(19,461)
Corporate and other unallocated expenses				(20,184)
Share of losses of associates	(152)	–	–	(152)
Loss before tax				<u>(38,719)</u>
	For the six months ended 30 June 2017			
	Marble products	Commodity trading	Logistics services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE	67,472	685,263	–	752,735
<b>Segment results</b>	<b>25,038</b>	<b>8,581</b>	<b>–</b>	<b>33,619</b>
<i>Reconciliation:</i>				
Interest income				153
Foreign currency gain, net				3,152
Finance costs				(12,744)
Share of losses of associates	(8)	–	–	(8)
Profit before tax				<u>24,172</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	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Domestic*:		
Mainland China	97,872	745,224
Overseas	–	7,511
	<u>97,872</u>	<u>752,735</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	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Customer A	55,142	–
Customer B	–	275,060
Customer C	–	146,417
Customer D	–	86,143
	<u>–</u>	<u>86,143</u>



#### 4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2018 <i>RMB'000</i> (Unaudited)	2017 <i>RMB'000</i> (Unaudited)
Bank interest income	26	153
Government subsidy	674	108
Foreign exchange gain, net	–	3,152
Rental income	3,801	3,818
Write-back the impairment loss on trade receivable	–	986
Miscellaneous	4	57
	<u>4,505</u>	<u>8,274</u>

#### 5. FINANCE COSTS

	For the six months ended 30 June	
	2018 <i>RMB'000</i> (Unaudited)	2017 <i>RMB'000</i> (Unaudited)
Interest on bank loans	7,128	6,996
Unwinding of discount on rehabilitation	441	332
Interest on bills receivable discounted	–	16
Interest on other borrowing	11,892	5,400
	<u>19,461</u>	<u>12,744</u>

## 6. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cost of inventories sold	75,568	698,584
Employee benefit expense (including directors' and chief executive's remuneration)		
— Salary, wages and other benefits	9,263	8,922
— Share-based payments	20,184	–
Depreciation of property, plant and equipment (note 9)	5,074	4,952
Depreciation of investment properties (note 9)	961	1,012
Amortisation of prepaid land lease (note 9)	663	183
Amortisation of intangible assets (note 9)	337	446
Minimum lease payments under operating leases:		
— Office	2,581	3,021
— Warehouses	11	2,326
— Parcels of land located at Shangsheng Village (note 10(a))	29	29
Auditor's remuneration	–	–
Foreign exchange losses (gains), net	111	(3,152)
Bank interest income (note 4)	(26)	(153)
Rental income	(3,801)	(3,818)
	<u>75,568</u>	<u>698,584</u>

## 7. INCOME TAX

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Current — Mainland China		
Charged for period	2,320	7,323
Deferred	–	(200)
	<u>2,320</u>	<u>7,123</u>
Total tax charge for the Review Period	<u>2,320</u>	<u>7,123</u>

Notes:

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

## 8. (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of (loss) earnings per share is based on the loss attributable to owners of the Company for the Review Period of RMB40,728,000 (six months ended 30 June 2017: profits of RMB15,059,000) and the weighted average number of ordinary shares of 2,281,949,471 (six months ended 30 June 2017: 1,911,334,000) in issue during the Review Period.

No adjustment has been made to the basic earnings per share amount presented for the computations of diluted loss per share for the Review Period do not assume the exercise of the Company's share options as they would reduce loss per share 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 that Period.

## 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:

	<b>Property, plant and equipment</b> <i>RMB'000</i> (Unaudited) <i>(Note a)</i>	<b>Investment property</b> <i>RMB'000</i> (Unaudited)	<b>Intangible assets</b> <i>RMB'000</i> (Unaudited) <i>(Note b)</i>	<b>Prepaid land lease payment</b> <i>RMB'000</i> (Unaudited) <i>(Note c)</i>
Carrying amount at 1 January 2018	130,599	94,334	1,010,669	367,895
Additions	4,620	–	–	–
Written off	(3)	–	–	–
Depreciation/amortization charged for the Review Period <i>(note 6)</i>	(5,074)	(961)	(337)	(663)
Amortization capitalized in property, plant and equipment during the period	3,342	–	–	(3,342)
Carrying amount at 30 June 2018	<u>133,484</u>	<u>93,373</u>	<u>1,010,332</u>	<u>363,890</u>
Portion classified as current assets <i>(note 10)</i>	–	–	–	(8,535)
	<u>133,484</u>	<u>93,373</u>	<u>1,010,332</u>	<u>355,355</u>

Notes:

- (a) At 30 June 2018, the property, plant and equipment with aggregate carrying amount of approximately RMB13,974,000 (31 December 2017: RMB14,359,000) were pledged to secure the other borrowings of RMB220,000,000 mentioned in note (14).
- (b) At 30 June 2018, certain of the intangible assets of the Group, with aggregate carrying amount of RMB116,627,000 (31 December 2017: RMB116,627,000) were pledged to banks to secure certain of the bank loans granted to the Group.
- (c) At 30 June 2018, prepaid land lease payments of the Group with aggregate carrying amount of RMB293,564,000 (31 December 2017: RMB306,104,000) were pledged to banks to secure certain of the bank loans granted to the Group.

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

	<b>30 June</b>	31 December
	<b>2018</b>	2017
<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Current portion:		
Prepayments in respect of:		
— Processing fee	1,223	4,864
— Office and warehouse rental	2,941	1,625
— Construction	702	—
— Lease of parcels of land located at Shangsheng Village (a)	819	819
— Prepaid land lease payment to be amortised within one year	8,535	8,939
— Purchase of materials and supplies	15,978	1,890
— Purchase of marble blocks and slabs	141,868	23,180
— Operating expense	1,141	—
— Others	2,996	936
Deposits	10,449	5,614
Deductible input value-added tax	471	9,121
Rental receivable	629	—
Receivables from labour outsourcing service	—	4,756
Performance security	3,000	3,000
Deferred rental income	2,733	—
Due from associates	1,344	—
Other receivables	2,166	4,189
	<u>196,995</u>	<u>68,933</u>
Non-current portion:		
Prepayments in respect of:		
— Lease of parcels of land located at Shangsheng Village (a)	8,279	7,869
— Cultivated land used tax (b)	5,164	5,272
	<u>13,443</u>	<u>13,141</u>

### 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

	<b>30 June 2018</b>	31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>205,079</b>	444,168
Impairment	<b>(11,059)</b>	(11,059)
	<b>194,020</b>	433,109
Bills receivables	<b>200,000</b>	–
	<b>394,020</b>	433,109

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. The maturity date of the bills receivable fall within one year.

An aged analysis of the trade receivables as at 30 June 2018 and 31 December 2017, based on the delivery date and net of provision, is as follows:

	<b>30 June 2018</b>	31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
0–30 days	<b>7,048</b>	213,571
31–90 days	<b>30,686</b>	211,382
91–180 days	<b>20,999</b>	3,711
181–365 days	<b>127,422</b>	1,189
Over 1 years	<b>7,865</b>	3,256
	<b>194,020</b>	433,109

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

	<b>30 June 2018</b>	31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
At the beginning of the year	<b>11,059</b>	10,581
Impairment loss recognised	–	478
Impairment loss recognised	<b>11,059</b>	11,059

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.

## 12. TRADE AND BILLS PAYABLES

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Trade payables	35,520	64,134
Bills payables	83,700	132,157
	<u>119,220</u>	<u>196,291</u>

An aged analysis of the trade and bills payable as at 30 June 2018 and 31 December 2017, based on the invoice date or issue date, where appropriate, is as follows:

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
0–30 days	330	106,957
31–60 days	8,068	436
61–90 days	9,066	961
Over 91 days	101,756	87,937
	<u>119,220</u>	<u>196,291</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.

## 13. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
<i>Current portion:</i>		
Advances from customers	19,646	8,459
Payables relating to:		
Purchase of property, plant and equipment	13,010	9,587
Purchase of mining rights	18,600	18,600
Payroll and welfare	12,890	12,922
Taxes other than income tax	21,493	25,796
Professional fees	6,292	10,887
Mineral resources compensation fees	7,692	4,869
Due to a shareholder	–	2,898
Rental fees	9,274	2,263
Distributors' earnest money	8,405	1,805
Security deposit	2,678	1,886
Other office expenses	3,531	–
Interest payables	8,465	5,564
Others	11,676	5,892
	<u>143,652</u>	<u>111,428</u>
Total	<u>143,652</u>	<u>111,428</u>

## 14. BANK AND OTHER BORROWINGS

		<b>30 June 2018</b>	31 December 2017
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	(Audited)
Bank loans:			
Secured and guaranteed	<i>(a)</i>	<b>184,307</b>	54,952
Secured	<i>(a)</i>	<b>9,500</b>	92,390
Guaranteed	<i>(b)</i>	<b>4,188</b>	4,188
		<b>197,995</b>	151,530
Effective interest rate per annum (%)		<b>5.66–7.13</b>	5.66–7.13
Other borrowings:			
Secured and guaranteed	<i>(a)</i>	<b>247,373</b>	247,373
		<b>247,373</b>	247,373
Effective interest rate per annum (%)		<b>6.52–9.20</b>	6.52–9.00
Analysed into:			
Bank loans repayable:			
Within one year		<b>193,495</b>	147,030
In the second year		–	–
In the third to fifth years, inclusive		<b>4,500</b>	4,500
		<b>197,995</b>	151,530
Other borrowings repayable:			
Within one year		<b>27,373</b>	27,373
In the second year		<b>100,000</b>	50,000
In the third to fifth years, inclusive		<b>120,000</b>	170,000
		<b>247,373</b>	247,373
Total bank and other borrowings		<b>445,368</b>	398,903
Portion classified as current liabilities		<b>(220,868)</b>	(174,403)
Non-current portion		<b>224,500</b>	224,500

- (a) The Group's bank loans and other borrowings of approximately RMB441,180,000 as at 30 June 2018 (31 December 2017: RMB394,715,000) were secured by certain assets with net carrying values as follows:

	<i>Notes</i>	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Secured by:			
Property, plant and equipment	9	13,974	14,359
Prepaid land lease payments	9	293,564	306,104
Mining rights to Zhangxi and Lingnan mines	9	116,627	116,627
Time deposits		–	1,129
		<u>424,165</u>	<u>438,219</u>

The Group's secured bank and other borrowings of approximately RMB299,132,000 as at 30 June 2018 (31 December 2017: RMB302,325,000) 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 RMB4,188,000 as at 30 June 2018 (31 December 2017: RMB4,188,000) were guaranteed by an independent third party, Xiamen Siming Technique Financial Guarantee Co., Ltd, with a guarantee charge of RMB80,000.

## 15. DEFERRED INCOME

	<i>RMB'000</i>
Government grant	
At 1 January 2018	5,270
Released to profit or loss	<u>(105)</u>
At 30 June 2018 (unaudited)	<u>5,165</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 31 December 2017, the Company had 1,066,669 share options outstanding under the Pre-IPO Share Option Scheme. All of the outstanding share options are vested. The share options under the Pre-IPO Share Option Scheme was expired on 30 June 2018. There are no profit or loss impact to the Company.

The following table sets out the particulars of the options granted under the Pre-IPO Share Option Scheme and their movements during the period.

Category/ Name of participants	Number of options outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Number of options outstanding as at 30 June 2018	Exercise Price HK\$	Date of Grant
Other employees in aggregate	1,066,669	–	–	(1,066,669)	–	2.39	30 December 2013
<b>Total</b>	<u>1,066,669</u>	<u>–</u>	<u>–</u>	<u>(1,066,669)</u>	<u>–</u>		

On 9 December 2013, the Share Option Scheme was conditionally adopted by the Company and came into effect on 30 December 2013. The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the Group.

During the Review Period ended 30 June 2018, the Company granted 133,333,400 share options to eligible directors and employees and the fair value of the share options granted is HK\$0.854 each. The variable and assumptions used in computing the fair value of share options are based on the director’s best estimate.

The fair value of the share options granted during the period ended 30 June 2018 was preliminarily determined by an independent valuer, Integrity Appraisal Asia Limited using the Binomial option pricing model (the “**Model**”). Details of the inputs to the Model are as follows:

### 4 January 2018

Share price as of valuation date	HK\$0.83
Exercise price	HK\$0.854
Expected volatility	54.41%
Expected life of the options	2 years
Dividend yield	0%
Risk-free interest rate	1.36%
Vesting period	0
Exercise multiple	1.60–2.47
Post-vesting Exit Rate	42%–58%

The Group recognised the total share-based payments expenses of approximately RMB20,184,000 (equivalent to HK\$24,260,116) (30 June 2017: Nil) during the period ended 30 June 2018 in relation to share options granted by the Company.

The following table sets out the particulars of the options granted under the Share Option Scheme and their movements during the period.

Category/ Name of participants	Number of options outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Number of options outstanding as at 30 June 2018	Exercise Price HK\$	Date of Grant
Wu Jing	-	22,000,000	-	-	22,000,000	0.854	4 January 2018
Leung Ka Kit	-	22,000,000	-	-	22,000,000	0.854	4 January 2018
Gu Weiwen	-	22,000,000	-	-	22,000,000	0.854	4 January 2018
Other employees in aggregate	-	67,333,400	-	-	67,333,400	0.854	4 January 2018
<b>Total</b>	-	<b>133,333,400</b>	-	-	<b>133,333,400</b>		

## 17. DIVIDENDS

At a meeting of the Board held on 31 August 2018, the Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

## 18. COMMITMENTS

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

	<b>30 June 2018</b> <i>RMB'000</i> (Unaudited)	31 December 2017 <i>RMB'000</i> (Audited)
Contracted, but not provided for:		
— Plant and equipment	<b>121,358</b>	129,079
	<b>121,358</b>	129,079

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Marble and Mining Business**

In the Review Period, the Group continued in developing the operation in Yongfeng Mine. The construction of the new production facility in Jiangxi Province is in the final stage and expected to perform the test-run in the fourth quarter this year. The facility has a construction area of approximately 60,000 square metres covering the stone processing factory, research and development facilities and other the offices premises and supplemental facilities. Due to its proximity to the Yongfeng Mine, the production facility once built will mainly be served as the production arm for the marble block excavated from the Yongfeng Mine. The facility will house a total of 18 saw machines for cutting the marble blocks into slabs for further processing. The extra saw machines are planned to provide extra production capacity for providing processing services to other mines in vicinity. All other processing procedures such as resin masking, polishing and warehousing will be done in the facility. The facility owned by the Group assures the quality control of the production process and also reduced the transportation costs for the Group's own output whereas the spare production capacity for provision of processing services also creates another future revenue stream to the Group.

The Group also expects a shortened marble product processing cycle from excavation of marble blocks to polished slabs in future. Accordingly, it started to reduce its inventory level by selling existing stocks at a larger discount especially for those aged inventories. Nevertheless, the Group considers the situation shall turn around once the production facility is put to use and new stock is replenished.

#### **Commodities Trading Business**

The commodities trading market in the PRC has experienced a cooling-down period from its peak in 2017 subsequent to the Fifth National Financial Work Conference held in Beijing, the PRC in July 2017. The conference made a major deployment around the theme of financial work that serves the real economy, prevents and controls financial risks, and deepens the "three in one" of financial reform. With the stringent control and regulation to the local commodities market, the overall market trading activities had cooled down. Under such atmosphere in the market, the Group revisited its strategy in carrying out such trades to ensure they compliant with the principles laid down following the conference. Although the Group's trading activities of this segment has reduced in the Review Period, it believes that the principles laid down at the conference would rationalize the regulatory framework of the market and in the long-run would benefit the market participants for carrying out their business in a more risk-controlled environment. The Group as the market participant, shall also benefit. It will continue to carrying out such business in future should there be any profitable trades available to the Group.

## **Logistics Services Business**

The Group continued in carrying out its logistics service in Jiangsu Province, the PRC. During the Review Period, it has provided logistics services to customers for a variety of products such as storage of windmill blades, construction materials, bulk blocks of paper etc. Although the contribution to the Group is still limited, the management of this business segment is enthusiastic in approaching different potential customers to widen its clientele for use of service especially the utilization of the public bonded warehouse to which it is license to operate.

## **Corporate Development**

During the Review Period, the Group entered into a non-legally binding memorandum of understanding with an independent third party for the acquisition of a group of companies engaged in the trading of marble and granite materials and products and provision of construction services including marble stone installation services with principle operations in Hong Kong. It subsequently signed the conditional sale and purchase agreement on 10 August 2018 subject to approval of the shareholders at the extraordinary general meeting. The acquisition, if crystalized, enables the Group to further expand the its existing business segment by widening the spectrum from stone mining to the construction end including but not limited to marble and granite installation services to end users. In addition, the Group can also capitalized on the business connection and experiences in international trading possessed by the target group to enhance the Group's existing international trade operations.

The Group also grasped opportunities in acquiring quality mine sources in order to broadening its product range and services to meet the market needs. Recently, it signed a conditional sale and purchase agreement to acquire the entire equity interest in a company which through its subsidiaries owns 80% of the interest in the PRC company holding a mining rights in Hubei Province, the PRC.

## **RESOURCES AND RESERVES**

### **Guiguan Mine**

Our Guiguan Mine is located in Guanyang County of Guangxi Province in China, the Guiguan Mine occupies 0.0808 km<sup>2</sup> of the place. The area is within the administration of Wenshi Town, Guanyang County. And it is 20 km 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 kilometres
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 2018 under the PRC Classification of Solid Mineral Resources and Reserves (“**PRC Classification**”).

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

There was no capital expenditure of Guiguan Mine incurred during the period ended 30 June 2018 (2017: RMB38 million).

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.

## 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 kilometres
Issuance date	4 March 2015
Expiration date	4 March 2018
Permitted production volume	120,500 tons per annum

The Group is still in the course of negotiating with relevant government authorities for the renewal of the mining permit of Wenshi Mine currently.

The following tables summarize the marble resources of our Wenshi Mine, estimated as of 31 December 2017 under the PRC Classification.

<b>Resources</b>	<b>Millions of cubic metres</b>
Indicated	6.4
Inferred	2.8
Total	<u>9.2</u>

Guiguan Stone started excavation activity in 2017 and excavated approximately 10,000 cubic metres marble blocks in total and no capital expenditure was incurred during the period ended 30 June 2018 (2017: Nil).

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	0.252 square kilometres
Issuance date	1 July 2015
Expiration date	1 January 2019
Permitted production volume	30,000 cubic metres 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 metres
Total Reservation	18.29
Available Resources	13.28
Recoverable Resources	12.62

There was no capital expenditure of Dejiang Mine incurred during the period ended 30 June 2018 (2017: 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 50 km away from the city centre, 260 km away from the Dali Train Station and 620 km 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 kilometres
Issuance date	March 2018
Expiration date	March 2021
Permitted production volume	50,000 cubic metres 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 RMB574.7 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 metres
Total Reservation	258.78
Available Resources	189.72
Recoverable Resources	180.23

There was no capital expenditure of Shangri-La Mine incurred during the period ended 30 June 2018 (2017: 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-km 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 kilometres
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 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 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).

<b>Resources</b>	<b>Millions of cubic metres</b>
Measured	51.2
Indicated	46.6
Inferred	8.8
	<hr/>
Total	106.6
	<hr/> <hr/>
<b>Reserves</b>	<b>Millions of cubic metres</b>
Proved	23
Probable	21
	<hr/>
Total	44
	<hr/> <hr/>

There was approximately RMB7.0 million capital expenditure of the Yongfeng Mine incurred during the period ended 30 June 2018 (2017: 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 km 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 kilometres
Issuance date	23 July 2015
Expiration date	23 July 2018
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 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 metres
Measured	7.1
Indicated	18.4
Inferred	4.2
Total	<u>29.7</u>

There was no capital expenditure of the Zhangxi Mine incurred by the Group during the period ended 30 June 2018 (2017: 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 km 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 kilometres
Issuance date	23 July 2015
Expiration date	23 July 2018
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 3 years.

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

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

There was no capital expenditure of the Lingnan Mine incurred by the Group during the period ended 30 June 2018 (2017: 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 RMB97.9 million, representing a decrease of 87% or approximately RMB654.8 million compared to the corresponding period of the previous year, mainly due to the drop in sales of commodity trading of RMB630.1 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 commodity 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					
	2018 (Unaudited)			2017 (Unaudited)		
	<i>RMB'000</i>	%	Gross profit margin %	<i>RMB'000</i>	%	Gross profit margin %
Marble blocks	12,084	12.3	76.2	22,298	3.0	81.6
One-side-polished slabs	26,979	27.6	41.2	38,073	5.1	43.9
Cut-to-size slabs	2,887	2.9	18.9	7,101	0.9	21.1
Commodity trading	55,142	56.3	4.0	685,263	91.0	2.6
Logistics services	780	0.9	94.1	–	–	–
	<u>97,872</u>	<u>100</u>	<u>22.7</u>	<u>752,735</u>	<u>100</u>	<u>7.2</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	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Sales volume		
Marble blocks (m <sup>3</sup> )	3,824	6,777
One-side-polished slabs (m <sup>2</sup> )	264,500	352,528
Cut-to-size slabs (m <sup>2</sup> )	16,387	34,471
Commodity trading (Ton)	14,697	177,208
Average selling price		
Marble blocks (RMB/m <sup>3</sup> )	3,160	3,290
One-side-polished slabs (RMB/m <sup>2</sup> )	102	108
Cut-to-size slabs (RMB/m <sup>2</sup> )	176	206
Commodity trading (RMB/Ton)	3,752	3,867

The unit selling price of marble blocks slightly decreased by approximately 4.0% comparing to that of the corresponding period of 2017.

The unit selling price of one-side-polished slabs decreased by approximately 5.6% comparing to that of the corresponding period of 2017, which was mainly due to the offer of discount to certain aged products as a clearance.

The unit selling price of cut-to-size slabs decreased by approximately 14.5% comparing to that of the corresponding period of 2017, which was mainly due to the adjustments made to our product mix and relatively lower unit selling price.

The unit selling price of commodity trading slightly decreased by 3.0% comparing to that of the corresponding period of 2017.

## COST OF SALES

In the Review Period, the Group's cost of sales amounted to approximately RMB75.6 million, including the cost of marble of RMB22.6 million, which represented approximately 29.9% of the total cost of sales; and the cost of commodity trading of RMB52.9 million, which represented approximately 70.0% of the total cost of sales. And the rest of cost is approximately RMB0.1 million, which represents the cost of logistics services. During the Review Period, the decrease in cost of sales was in line with the decrease in sales and production volume.

## **GROSS PROFIT AND GROSS PROFIT MARGIN**

The gross profit of the Group in the Review Period decreased by approximately RMB31.9 million as compared to that of corresponding period of 2017. The gross profit margin in the Review Period was approximately 22.7%, while the gross profit margin in corresponding period of 2017 was approximately 7.2%. The gross profit margin of the sales of the Group in the Review Period increased as compared to that of 2017 is mainly attributable to the significant decline 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 government subsidy. Rental income and government subsidy for the review period amounted to RMB3.8 million and RMB0.6 million respectively.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses, mainly comprised of salaries of the Group's sales and distribution staff, travelling expenses, advertising costs and transportation costs, were approximately RMB2.7 million, representing approximately 2.8% of the revenue in the Review Period, while the selling and distribution expenses of RMB5.2 million in the corresponding period in 2017 accounted for approximately 0.7% of the revenue in the corresponding period in 2017. The selling and distribution expenses in the Review Period were decreased by approximately RMB2.0 million compared to that of the corresponding period.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses, mainly comprised of salaries of administrative staff, office rental expense, consultant fees, other professional fee, share-based payments and depreciation of property, plant and equipment and amortization, were RMB38.8 million, accounting for approximately 39.6% of the revenue in the Review Period. The administrative expenses were RMB19.9 million in the corresponding period in 2017, accounting for approximately 2.6% of the revenue for the corresponding period in 2017. The administrative expenses in the Review Period were increased by RMB18.9 million compared to that of the corresponding period, mainly due to the non-cash share-based payments of approximately RMB20.2 million arising from the grant of approximately 1.3 billion number of share options.

## **FINANCE COSTS**

Finance costs mainly included interests on bank loans and other borrowings. The finance costs increased by RMB6.7 million from RMB12.7 million in the corresponding period in 2017 to approximately RMB19.5 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 2018, the total number of full-time employees of the Group was 152 (as at 30 June 2017: 213). Total employee costs (including the directors' remunerations, but excluding share-based payments) amounted to approximately RMB9.3 million for the Review Period (for the six months ended 30 June 2016: approximately RMB8.9 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 increase 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 RMB4.8 million for the six months ended 30 June 2018 to approximately RMB2.3 million for the Review Period.

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

The net loss attributable to owners of the Company during the Review Period amounted to approximately RMB40.7 million. Compared to net profit of RMB15.0 million for the corresponding period in 2017. The main reasons for the net loss are (i) decrease in gross profits of business operations; (ii) increase of share-based payments of approximately RMB20.2 million and; (iii) increase in financial costs of RMB6.7 million during the Review Period.

## **NET CURRENT ASSETS**

As at ended 30 June 2018, the Group has net current assets of approximately RMB152.8 million (31 December 2017: the net current assets of the Group was approximately RMB148.6 million).

## **CURRENT RATIO**

The current ratio, being current assets over current liabilities, was 1.30 as at 30 June 2018 (31 December 2017: 1.29). The current ratio slightly increased by 0.01 during the Review Period.



## **BORROWINGS**

As at 30 June 2018, the Group had total borrowings of approximately RMB445.4 million (31 December 2017: RMB398.9 million). During the Review Period, the net amount increased in borrowings is approximately RMB46.5 million in order to repay the bills payable upon expiry during the Review Period.

## **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 2018, the gearing ratio was approximately 21% (31 December 2017: approximately 16%).

## **CAPITAL STRUCTURE**

During the Review Period, the authorised share capital of the Company be increased from HK\$30,000,000 divided into 3,000,000,000 shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each by the creation of an additional 2,000,000,000 unissued Shares of HK\$0.01 each. The Company has 2,293,374,885 ordinary shares in issue as at 30 June 2018.

On 30 July 2018, the Company entered into a subscription agreement pursuant to which the Company agreed to issue and allot and the Subscriber agreed to subscribe for 47,000,000 Shares in cash. The net proceeds from the share subscription was approximately HK\$36.4 million. The net proceeds were utilized as general working capital.

## **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 RMB8.0 million and (ii) expenses on payments in advance for plant construction to approximately RMB6.7 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 which are denominated in HK\$. 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 2018, the Group pledged property, plant and equipment of approximately RMB14.0 million (31 December 2017: approximately RMB14.4 million); prepaid land lease payments of approximately RMB293.6 million and mining rights of RMB116.6 million to secured the bank and other borrowings.

## IMPORTANT EVENTS OCCURRED AFTER REVIEW PERIOD

- (a) On 10 August 2018, ArtGo Investment Limited (“**ArtGo Investment**”), a wholly-owned subsidiary of the Company, and Lam Tuen Yee (“**Mr. Lam**”) entered into a sale and purchase agreement, pursuant to which ArtGo Investment has conditionally agreed to acquire, and Mr. Lam has conditionally agreed to sell the Sales Shares, representing 60% of the issued share capital of Righteous Rise Limited (“**Righteous**”), at the consideration of HK\$120,000,000 (subject to adjustments). The consideration shall be satisfied by (i) Cash Consideration of HK\$30,000,000 payable by three installment payments after the Completion; and (ii) allotment and issuance of Consideration Shares as to HK\$90,000,000.

The Issue Price of the Consideration Share shall be HK\$0.45 per share. The Consideration Shares represent approximately 8.72% of the existing issued share capital of the Company as at 10 August 2018 and represent approximately 8.02% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The details of the transaction are set out in the Company’s announcement dated 10 August 2018 and 30 August 2018 respectively.

- (b) On 29 August 2018, ArtGo Investment Limited (“**ArtGo Investment**”), a wholly-owned subsidiary of the Company, and Chen Yuhong (“**Mr. Chen**”) entered into a sale and purchase agreement, pursuant to which ArtGo Investment has conditionally agreed to acquire, and the Mr. Chen has conditionally agreed to sell the Sales Shares, representing entire issued share capital of Vigoroso Holdings Limited (the “**Vigoroso**”), at the consideration of RMB191,000,000 (equivalent to approximately HK\$219,540,000). The consideration shall be satisfied by (i) cash in sum of RMB11,431,800 (equivalent to approximately HK\$13,140,000) and (ii) allotment and issuance of 458,666,666 Consideration Shares under General Mandate at the Issue Price of HK\$0.45 by the Company to Mr. Chen.

The Consideration Shares represent (i) approximately 20% of the existing issued share capital of the Company as at 29 August 2018 and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares immediately after Completion. The details of the transaction are set out in the Company’s announcement dated 29 August 2018.

## **OUTLOOK**

In the past, the Group's sale of marble stone products was mainly conducted via its sales network of distributors. Looking ahead, apart from the above sales model, we will act more proactively in building up strong bonds with real estate developers directly in a way that we aim to offer solutions to the developers' projects with a variety of stone products. With this approach, the control of sources of products is crucial to ensure the steady and adequate supply of different stones. As such, the Group will continue its plan on the mine resource integration of stone industry. The recent proposed acquisition of the entire equity interest in a company which through its subsidiaries owns 80% of the interest in the PRC company owned a mining rights in Hubei Province, the PRC is another move for such plan. The stone produced from this mine has unique wooden grains bearing Oracle-like patterns. The Group believe the addition of this type of stone could enrich its range of products and hence enhances its competitiveness in the stone market and also 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.

## **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 2018 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 2018.

## **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 interim reports of the Company as well as the interim condensed financial information of the Group for the six months ended 30 June 2018.

## **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 2018.

## **PUBLICATION OF 2018 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the Company’s website ([www.artgo.cn](http://www.artgo.cn)) and the Stock Exchange’s website ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)). The Company’s 2018 Interim Report will be made available on the websites of the Company and Stock Exchange and will be despatched to the Company’s shareholders in due course.

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

Hong Kong, 31 August 2018

*As at the date of this announcement, the executive Directors are Mr. Gu Weiwen, Mr. Zhang Jian, Ms. Wu Jing and Dr. Leung Ka Kit, 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.*