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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)**

### **RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **RESULTS HIGHLIGHTS**

For the year ended 31 December 2018:

- The revenue of the Group amounted to approximately RMB536.8 million (2017: approximately RMB1,271.1 million), representing a decrease of approximately RMB734.3 million.
- The loss before tax of the Group amounted to approximately RMB648.1 million as compared to profit before tax of approximately RMB16.5 million in 2017.
- The Group's net loss amounted to approximately RMB649.1 million (2017: net profit of approximately RMB7.8 million). The loss attributable to owners of the Company amounted to approximately RMB395.8 million (2017: profit of approximately RMB8.5 million).
- The basic and diluted loss per share attributable to ordinary equity holders of the Company amounted to RMB17.2 cent (2017: basic and diluted earnings per share of approximately RMB0.4 cent).

The board (the “**Board**”) of directors (the “**Directors**”) of ArtGo Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2018. The Company's annual results for 2018 have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and have been approved by the Board on 29 March 2019.

## FINANCIAL INFORMATION

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

For the year ended 31 December 2018

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
<b>REVENUE</b>	3,4	<b>536,792</b>	1,271,058
Cost of sales		<u>(501,511)</u>	<u>(1,195,094)</u>
<b>Gross profit</b>		<b>35,281</b>	75,964
Other income and gains	5	<b>9,192</b>	25,139
Selling and distribution expenses		<b>(5,376)</b>	(11,835)
Administrative expenses		<b>(90,192)</b>	(46,155)
Other expenses		<b>(6,966)</b>	(7,052)
Impairment loss on intangible assets	14	<b>(517,954)</b>	–
Impairment loss on goodwill	12	<b>(19,179)</b>	–
Impairment loss on trade receivables	17	<b>(9,667)</b>	(478)
Impairment loss on property, plant and equipment	11	<b>(1,521)</b>	–
Impairment loss on prepayments, other receivables and other assets	18	<b>(881)</b>	–
Finance costs	6	<b>(39,865)</b>	(18,963)
Share of losses of associates		<b>(1,014)</b>	(151)
<b>PROFIT/(LOSS) BEFORE TAX</b>	7	<b>(648,142)</b>	16,469
Income tax expense	8	<b>(997)</b>	(8,660)
<b>PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<b><u>(649,139)</u></b>	<u>7,809</u>
Profit/(loss) attributable to:			
Owners of the Company		<b>(395,786)</b>	8,450
Non-controlling interests		<b>(253,353)</b>	(641)
		<b><u>(649,139)</u></b>	<u>7,809</u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:</b>			
— Basic and diluted	10	<b><u>RMB(0.172)</u></b>	<u>RMB0.004</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>235,105</b>	130,599
Investment properties	13	<b>90,267</b>	94,334
Prepaid land lease payments		<b>350,017</b>	358,956
Intangible assets	14	<b>657,823</b>	1,010,669
Prepayments, other receivables and other assets	18	<b>13,280</b>	13,141
Goodwill	12	<b>–</b>	19,179
Investments in associates		<b>376,046</b>	375,399
Payments in advance	15	<b>90,237</b>	156,666
Deferred tax assets		<b>9,499</b>	9,737
Restricted deposits	19	<b>2,524</b>	2,560
Total non-current assets		<b>1,824,798</b>	2,171,240
<b>CURRENT ASSETS</b>			
Inventories	16	<b>54,019</b>	129,203
Trade receivables	17	<b>276,663</b>	433,109
Prepayments, other receivables and other assets	18	<b>45,154</b>	68,933
Pledged deposits	19	<b>–</b>	1,129
Cash and bank balances	19	<b>100,176</b>	29,356
Total current assets		<b>476,012</b>	661,730
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	20	<b>82,648</b>	196,291
Contract liabilities		<b>5,925</b>	–
Other payables and accruals	21	<b>112,648</b>	111,428
Tax payables		<b>31,811</b>	30,970
Interest-bearing bank and other borrowings	22	<b>223,388</b>	174,403
Total current liabilities		<b>456,420</b>	513,092
<b>NET CURRENT ASSETS</b>		<b>19,592</b>	148,638
<b>TOTAL ASSETS LESS</b> <b>CURRENT LIABILITIES</b>		<b>1,844,390</b>	2,319,878

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	22	<b>184,250</b>	224,500
Deferred tax liabilities		<b>11,874</b>	12,226
Deferred revenue		<b>5,060</b>	5,270
Provision for rehabilitation		<b>15,143</b>	17,100
		<hr/>	<hr/>
Total non-current liabilities		<b>216,327</b>	259,096
		<hr/>	<hr/>
Net assets		<b>1,628,063</b>	2,060,782
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	23	<b>22,768</b>	18,349
Reserves		<b>1,507,568</b>	1,725,019
		<hr/>	<hr/>
		<b>1,530,336</b>	1,743,368
Non-controlling interests		<b>97,727</b>	317,414
		<hr/>	<hr/>
Total equity		<b>1,628,063</b>	2,060,782
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## NOTES:

### 1. CORPORATE AND GROUP INFORMATION

ArtGo Holdings Limited (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 year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the business of mining, processing, sale of marble stones, the trading of commodities and cargo handling, warehousing, and logistics.

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

### 2.1 BASIS OF PREPARATION

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
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>
Amendments 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 2014-2016 Cycle</i>	<i>Amendments to IFRS 1 and IAS 28</i>

Other than the impact of IFRS 9, IFRS 15 and the amendments to IFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i> <sup>2</sup>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>1</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
IFRS 16	<i>Leases</i> <sup>1</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> <sup>2</sup>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i> <sup>1</sup>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 <sup>1</sup>

- 1 Effective for annual periods beginning on or after 1 January 2019
- 2 Effective for annual periods beginning on or after 1 January 2020
- 3 Effective for annual periods beginning on or after 1 January 2021
- 4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IFRS 16, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. As at 31 December 2018, the Group had payment commitments under non-cancellable operating leases of approximately RMB4,668,000. Based on the detailed assessment prepared by the Group on the impact of adoption of IFRS 16, the Group expects that the adoption of IFRS 16 would not have a material impact on the Group.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (2017: three) reportable operating segments as follows:

- (a) the marble products segment produces marble blocks and slabs mainly for further processing or trading;
- (b) the commodity trading segment conducts the trading business of commodities; and
- (c) the warehousing logistics segment engaged in the business of cargo handling, warehousing, and logistics.

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

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

### 3. OPERATING SEGMENT INFORMATION (continued)

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

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

#### Year ended 31 December 2018

	Marble products <i>RMB'000</i>	Commodity trading <i>RMB'000</i>	Warehousing logistics <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT REVENUE	86,116	449,435	1,241	536,792
<b>Segment results</b>	<b>(534,672)</b>	<b>(2,114)</b>	<b>(22,340)</b>	<b>(559,126)</b>
<i>Reconciliation:</i>				
Interest income				195
Foreign exchange gain, net				667
Finance costs				(39,865)
Corporate and other unallocated expenses				(50,013)
Loss before tax				<u>(648,142)</u>
<b>Segment assets</b>	<b>1,380,957</b>	<b>224,639</b>	<b>108,793</b>	<b>1,714,389</b>
<i>Reconciliation:</i>				
Deferred tax assets				9,499
Cash and cash equivalents				100,176
Corporate and other unallocated assets				476,746
Total assets				<u>2,300,810</u>
<b>Segment liabilities</b>	<b>599,175</b>	<b>27,826</b>	<b>2,061</b>	<b>629,062</b>
<i>Reconciliation:</i>				
Tax payable				31,811
Deferred tax liabilities				11,874
Total liabilities				<u>672,747</u>
<b>OTHER SEGMENT INFORMATION</b>				
Impairment losses recognised in the statement of profit or loss	528,456	1,465	19,281	549,202
Share of losses of associates	1,014	–	–	1,014
Investments in associates	376,046	–	–	376,046
Depreciation and amortisation	21,538	–	3,871	25,409
Capital expenditure*	122,097	–	–	122,097

\* Capital expenditure consists of additions to property, plant and equipment including assets from the acquisition of a subsidiary.



### 3. OPERATING SEGMENT INFORMATION (continued)

#### Year ended 31 December 2017

	Marble products <i>RMB'000</i>	Commodity trading <i>RMB'000</i>	Warehousing logistics <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT REVENUE	150,477	1,119,648	933	1,271,058
<b>Segment results</b>	20,889	5,276	70	26,235
<i>Reconciliation:</i>				
Interest income				514
Foreign exchange gain, net				8,894
Finance costs				(18,963)
Corporate and other unallocated expenses				(211)
Profit before tax				<u>16,469</u>
<b>Segment assets</b>	2,138,867	412,356	112,311	2,663,534
<i>Reconciliation:</i>				
Deferred tax assets				9,737
Pledged deposits				1,129
Cash and cash equivalents				29,356
Corporate and other unallocated assets				129,214
Total assets				<u>2,832,970</u>
<b>Segment liabilities</b>	696,571	31,108	1,313	728,992
<i>Reconciliation:</i>				
Tax payable				30,970
Deferred tax liabilities				12,226
Total liabilities				<u>772,188</u>
<b>OTHER SEGMENT INFORMATION</b>				
Impairment losses recognised in the statement of profit or loss	478	–	–	478
Share of losses of associates	151	–	–	151
Investments in associates	375,399	–	–	375,399
Depreciation and amortisation	27,867	–	589	28,456
Capital expenditure*	<u>324,541</u>	<u>–</u>	<u>115,568</u>	<u>440,109</u>

\* Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments including assets from the acquisition of a subsidiary.

### 3. OPERATING SEGMENT INFORMATION (continued)

#### Geographical information

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Domestic:		
Mainland China*	<b>536,745</b>	1,262,210
Overseas	<b>47</b>	8,848
	<b>536,792</b>	1,271,058

\* Place of domicile of the Group's principal subsidiaries is Mainland China.

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

#### Information about major customers

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Customer A	<b>346,107</b>	–
Customer B	<b>55,217</b>	*
Customer C	–	186,418
Customer D	–	180,222
Customer E	–	159,777

\* Less than 10% of the total revenue

### 4. REVENUE

#### Entity-wide disclosures

(a) An analysis of revenue is as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue from contracts with customers	<b>535,551</b>	–
Sales of goods	–	150,477
Trading activities	–	1,119,648
Provision of warehousing and logistics services	<b>1,241</b>	933
	<b>536,792</b>	1,271,058

#### 4. REVENUE (continued)

##### Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	<i>RMB'000</i>
<b>Type of goods or services</b>	
Sale of one-side-polished slabs	61,293
Sale of cut-to-size slabs	10,017
Sale of marble blocks	14,806
Commodity trading	449,435
Provision of warehousing and logistics services	1,241
	<hr/>
Total revenue from contracts with customers	536,792
	<hr/> <hr/>
<b>Geographical markets</b>	
Domestic* — Mainland China	536,745
Overseas	47
	<hr/>
Total revenue from contracts with customers	536,792
	<hr/> <hr/>
<p>* <i>The place of domicile of the Group's principal operating subsidiaries is Mainland China.</i></p>	
<b>Timing of revenue recognition</b>	
Goods transferred at a point in time	535,551
Services transferred over time	1,241
	<hr/>
Total revenue from contracts with customers	536,792
	<hr/> <hr/>

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	<b>2018</b> <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	8,459
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#### 4. REVENUE (continued)

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

###### (ii) Performance obligations

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

###### *Sale of goods*

The performance obligation is satisfied upon delivery of goods and payment is generally due within 30 to 90 days from delivery.

###### *Provision of warehousing and logistics services*

The performance obligation is satisfied over time as services are rendered and a proportional payment in advance is normally required. Payment is generally due upon completion of services.

At 31 December 2018, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

#### 5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Foreign exchange gain, net	<b>667</b>	8,894
Rental income	<b>7,662</b>	7,662
Labour outsourcing service income	–	4,487
Compensation for breach of contracts	–	3,232
Bank interest income	<b>195</b>	514
Deferred income released to profit or loss	<b>210</b>	210
Government grants*	<b>256</b>	10
Miscellaneous	<b>202</b>	130
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Total other income and gains	<b>9,192</b>	25,139
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\* There were no unfulfilled conditions or contingencies relating to these grants.

#### 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Interest on bank loans	<b>18,128</b>	11,575
Interest on other borrowings	<b>20,616</b>	6,182
Unwinding of a discount for rehabilitation	<b>1,121</b>	1,041
Interest on bills receivable discounted	–	165
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	<b>39,865</b>	18,963
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## 7. PROFIT/(LOSS) BEFORE TAX

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

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
Cost of inventories sold		<b>497,909</b>	1,194,867
Cost of services provided		<b>3,602</b>	227
		<b>501,511</b>	1,195,094
Employee benefit expense:			
Wages and salaries		<b>15,290</b>	24,239
Equity-settled share option expense	24	<b>36,219</b>	142
Welfare and other benefits		<b>364</b>	828
Pension scheme contributions			
— Defined contribution fund		<b>1,322</b>	1,359
Housing fund			
— Defined contribution fund		<b>566</b>	914
Total employee benefit expense		<b>53,761</b>	27,482
Depreciation of items of property, plant and equipment	11	<b>12,045</b>	10,518
Depreciation of investment properties	13	<b>4,067</b>	4,067
Amortisation of prepaid land lease payments		<b>8,939</b>	1,821
Amortisation of intangible assets	14	<b>358</b>	12,050
Depreciation and amortisation expenses		<b>25,409</b>	28,456
Impairment losses recognised in:			
Trade receivables	17	<b>9,667</b>	478
Intangible assets	14	<b>517,954</b>	—
Goodwill	12	<b>19,179</b>	—
Property, plant and equipment	11	<b>1,521</b>	—
Prepayments, other receivables and other assets	18	<b>881</b>	—
Total Impairment losses recognised		<b>549,202</b>	478
Minimum lease payments under operating leases:			
— Office		<b>7,090</b>	7,215
— Warehouses		<b>168</b>	842
— Parcels of land		<b>819</b>	819
Auditor's remuneration		<b>3,100</b>	2,900
Foreign exchange gain, net		<b>(667)</b>	(8,894)
Rental income		<b>(7,662)</b>	(7,662)
Bank interest income		<b>(195)</b>	(514)

## 8. INCOME TAX

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

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

Pursuant to the income tax rules and regulations in the PRC, the subsidiaries located in Mainland China are liable for PRC CIT at a rate of 25% on the assessable profits generated during the year.

The major components of income tax expense were as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Current — Mainland China		
Charge for the year	<b>1,111</b>	8,903
Deferred	<b>(114)</b>	(243)
	<u><b>997</b></u>	<u>8,660</u>

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit/(loss) before tax	<u><b>(648,142)</b></u>	<u>16,469</u>
Tax at the respective statutory tax rates:		
— Mainland China subsidiaries, at 25%	<b>(150,549)</b>	4,740
— Hong Kong subsidiary, at 16.5%	<b>(7,581)</b>	(411)
Non-deductible expenses	<b>2,659</b>	3,196
Loss not subject to tax	<b>142,424</b>	406
Tax losses not recognised	<b>14,044</b>	729
	<u><b>997</b></u>	<u>8,660</u>

## 9. DIVIDENDS

At a meeting of the board of directors held on 29 March 2019, the directors resolved not to declare any dividend to shareholders for the year ended 31 December 2018 (2017: Nil).

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

The calculation of basic loss per share for the year ended 31 December 2018 is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,304,045,205 (2017: 2,014,386,386) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices of the Company's shares during the current and the prior years.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2018</b>							
<b>Cost:</b>							
At 1 January 2018	27,382	78,782	9,457	12,497	16,314	23,310	167,742
Additions	–	207	1,826	–	–	117,059	119,092
Acquisition of a subsidiary (note 25)	214	1,304	3	537	–	–	2,058
Disposals	–	–	(877)	–	(3,078)	–	(3,955)
At 31 December 2018	<u>27,596</u>	<u>80,293</u>	<u>10,409</u>	<u>13,034</u>	<u>13,236</u>	<u>140,369</u>	<u>284,937</u>
<b>Accumulated depreciation and impairment:</b>							
At 1 January 2018	5,966	20,016	6,208	4,513	440	–	37,143
Provided for the year (note 7)	2,517	5,727	2,454	1,167	180	–	12,045
Disposals	–	–	(877)	–	–	–	(877)
Impairment recognised during the year (note 7)	102	1,419	–	–	–	–	1,521
At 31 December 2018	<u>8,585</u>	<u>27,162</u>	<u>7,785</u>	<u>5,680</u>	<u>620</u>	<u>–</u>	<u>49,832</u>
<b>Net carrying amount:</b>							
At 1 January 2018	<u>21,416</u>	<u>58,766</u>	<u>3,249</u>	<u>7,984</u>	<u>15,874</u>	<u>23,310</u>	<u>130,599</u>
At 31 December 2018	<u>19,011</u>	<u>53,131</u>	<u>2,624</u>	<u>7,354</u>	<u>12,616</u>	<u>140,369</u>	<u>235,105</u>
<b>31 December 2017</b>							
<b>Cost:</b>							
At 1 January 2017	19,431	26,157	7,684	11,657	13,578	5,305	83,812
Additions	1,286	11,015	983	626	2,736	16,116	32,762
Acquisition of subsidiaries	6,665	41,610	790	214	–	1,889	51,168
At 31 December 2017	<u>27,382</u>	<u>78,782</u>	<u>9,457</u>	<u>12,497</u>	<u>16,314</u>	<u>23,310</u>	<u>167,742</u>
<b>Accumulated depreciation:</b>							
At 1 January 2017	3,107	12,585	3,933	3,031	290	–	22,946
Acquisition of subsidiaries	381	2,526	644	128	–	–	3,679
Provided for the year (note 7)	2,478	4,905	1,631	1,354	150	–	10,518
At 31 December 2017	<u>5,966</u>	<u>20,016</u>	<u>6,208</u>	<u>4,513</u>	<u>440</u>	<u>–</u>	<u>37,143</u>
<b>Net carrying amount:</b>							
At 1 January 2017	<u>16,324</u>	<u>13,572</u>	<u>3,751</u>	<u>8,626</u>	<u>13,288</u>	<u>5,305</u>	<u>60,866</u>
At 31 December 2017	<u>21,416</u>	<u>58,766</u>	<u>3,249</u>	<u>7,984</u>	<u>15,874</u>	<u>23,310</u>	<u>130,599</u>

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

As at 31 December 2018, the Group's property, plant and equipment with a carrying amount of RMB12,952,000 (2017: RMB14,359,000) was pledged as security for certain other borrowings granted to the Group (note 22(a)).

## 12. GOODWILL

	<i>RMB'000</i>
Carrying amount at 1 January 2017 and 31 December 2017	19,179
Impairment ( <i>note 7</i> )	(19,179)
	<hr/>
Carrying amount at 31 December 2018	—
	<hr/> <hr/>

Goodwill, which arose from the acquisition of Jiangsu Taifeng Logistics Co., Ltd. ("Jiangsu Taifeng") by the Group, represented the excess of the cost of the business combination over the Company's interest in the fair value of Jiangsu Taifeng's identifiable assets and liabilities as at the date of the acquisition.

### Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the Jiangsu Taifeng cash-generating unit ("CGU") for impairment testing.

The recoverable amount of the Jiangsu Taifeng CGU as at 31 December 2018 of RMB107,930,000 (2017: RMB135,000,000) has been determined based on a value-in-use calculation using cash flow projections based on the key assumptions as follows:

The recoverable amount of the Jiangsu Taifeng CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Budgeted gross margins* — The basis used to determine the value assigned to the budgeted gross margins is the expected gross margins in the future years, increased for expected efficiency improvements, and expected market development.

*Discount rates* — The discount rates used are before tax and reflect specific risks relating to the relevant units. The discount rate applied to the cash flow projection is 13% (2017: 13%).

*Growth rate* — The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2017: 3%), which is based on the estimated growth rate of the business unit, taking into account the industry growth rate, past experience and the medium or long term growth target.

The values assigned to the key assumption on discount rates are consistent with external information sources.

As the recoverable amount of the Jiangsu Taifeng CGU is lower than its carrying amount of RMB127,211,000 as at 31 December 2018, an impairment losses of RMB19,179,000 and RMB102,000 were recognised during the year to fully write down the goodwill arising from the acquisition of Jiangsu Taifeng by the Group and the carrying amounts of property, plant and equipment as at 31 December 2018.

In relation to the Jiangsu Taifeng CGU that was impaired during the year, any variation in the key assumptions above would either result in further impairment or lead to a reversal of impairment.



### 13. INVESTMENT PROPERTIES

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Carrying amount at 1 January	<b>94,334</b>	98,401
Depreciation provided for the year ( <i>note 7</i> )	<b>(4,067)</b>	(4,067)
Carrying amount at 31 December	<b><u>90,267</u></b>	<u>94,334</u>

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

As at 31 December 2018, the fair value of the investment properties was estimated to be approximately RMB102,800,000 (2017: RMB103,430,000). The valuation was performed by Sichuan Shudi Real Estate Valuation Co., Ltd., an independent professionally qualified valuer. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The valuation is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected market rental growth and the occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value of the investment properties measured at the end of the reporting period is categorised into Level 3 valuations: Fair value measured using significant unobservable inputs, as defined in IFRS 13 *Fair Value Measurement*.

### 14. INTANGIBLE ASSETS

	<b>Mining rights</b> <i>RMB'000</i>	<b>Software</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>31 December 2018</b>			
<b>Cost</b>			
At 1 January 2018	1,026,703	2,006	1,028,709
Acquisition of a subsidiary ( <i>note 25</i> )	165,466	–	165,466
At 31 December 2018	<u>1,192,169</u>	<u>2,006</u>	<u>1,194,175</u>
<b>Accumulated amortisation and impairment:</b>			
At 1 January 2018	17,335	705	18,040
Amortisation provided during the year ( <i>note 7</i> )	148	210	358
Impairment ( <i>note 7</i> )	517,954	–	517,954
At 31 December 2018	<u>535,437</u>	<u>915</u>	<u>536,352</u>
<b>Net carrying amount</b>			
At 1 January 2018	<u>1,009,368</u>	<u>1,301</u>	<u>1,010,669</u>
At 31 December 2018	<u>656,732</u>	<u>1,091</u>	<u>657,823</u>

#### 14. INTANGIBLE ASSETS (continued)

	Mining rights RMB'000	Software RMB'000	Total RMB'000
<b>31 December 2017</b>			
<b>Cost</b>			
At 1 January 2017 and 31 December 2017	<u>1,026,703</u>	<u>2,006</u>	<u>1,028,709</u>
<b>Accumulated amortisation:</b>			
At 1 January 2017	5,495	495	5,990
Amortisation provided during the year (note 7)	<u>11,840</u>	<u>210</u>	<u>12,050</u>
At 31 December 2017	<u>17,335</u>	<u>705</u>	<u>18,040</u>
<b>Net carrying amount</b>			
At 1 January 2017	<u>1,021,208</u>	<u>1,511</u>	<u>1,022,719</u>
At 31 December 2017	<u>1,009,368</u>	<u>1,301</u>	<u>1,010,669</u>

- (a) As at 31 December 2018, the Group's mining rights of Zhangxi Mine with a carrying amount of RMB116,627,000 (2017: RMB116,627,000) was pledged as security for certain bank loans granted to the Group (note 22(a)).

**(b) Impairment**

In accordance with the Group's accounting policies, each asset or CGU is evaluated annually at 31 December to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use ("VIU"). During the year, due to the revision of the overall development plan for the marble industry carried out by Guiguan County Government ("Guiguan Government") for the purpose of strengthening control over environment protection, effective and proper utilisation of natural resources, Guiguan Government decided not to renew the Group's mining rights of Guiguan Mine and Wenshi Mine upon their expiry in 2018. Management has performed impairment assessment on all of the carrying amounts of the mining rights of Wenshi Mine and Guiguan Mine. The recoverable amounts of the mining rights of Wenshi Mine and Guiguan Mine were estimated to be Nil as no future cash flows were expected to be generated from the continuing use of these assets.

An impairment loss of RMB517,954,000 was recognised during the year to fully write off the carrying amounts of the mining rights of Wenshi Mine and Guiguan Mine as at 31 December 2018.

## 15. PAYMENTS IN ADVANCE

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
<i>In respect of the purchase of:</i>		
Property, plant and equipment	<b>90,237</b>	156,666

The balances mainly represented prepayments paid to independent third parties for the purchase of property, plant and equipment and the construction of a processing plant in Jiangxi Province and a logistics warehouse in Jiangsu Province, the PRC.

## 16. INVENTORIES

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Finished goods	<b>39,052</b>	107,409
Work in progress	<b>13,983</b>	21,182
Materials and supplies	<b>984</b>	612
	<b>54,019</b>	129,203

## 17. TRADE RECEIVABLES

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade receivables	<b>303,582</b>	444,168
Impairment	<b>(26,919)</b>	(11,059)
	<b>276,663</b>	433,109

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

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

## 17. TRADE RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting periods, based on the invoice date and net of loss allowance, is as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 1 month	<b>269,069</b>	213,571
1 to 3 months	<b>4,461</b>	211,382
3 to 6 months	<b>3,133</b>	3,711
6 to 12 months	–	1,189
Over 1 year	–	3,256
	<u><b>276,663</b></u>	<u>433,109</u>

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
At beginning of year	<b>11,059</b>	10,581
Effect of adoption of IFRS 9	<b>6,193</b>	–
At beginning of year (restated)	<b>17,252</b>	10,581
Impairment losses, net ( <i>note 7</i> )	<b>9,667</b>	478
At end of year	<u><b>26,919</b></u>	<u>11,059</u>

### Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

#### As at 31 December 2018

	Current	Past due		Total
		Less than 1 year	Over 1 year	
Expected credit loss rate	<b>0.41%</b>	<b>100%</b>	<b>100%</b>	
Gross carrying amount ( <i>RMB'000</i> )	<b>277,802</b>	<b>6,186</b>	<b>19,594</b>	<b>303,582</b>
Expected credit losses ( <i>RMB'000</i> )	<b>1,139</b>	<b>6,186</b>	<b>19,594</b>	<b>26,919</b>

## 17. TRADE RECEIVABLES (continued)

### Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of RMB478,000 with a carrying amount before provision of RMB3,306,000.

The individually impaired trade receivables which are fully provided related to certain customers that were in financial difficulties. The Group had stopped supplying goods to these customers, initiated discussions on the repayment terms with them and is in the midst of monitoring their repayment schedules. Whilst the Group will continue to follow up closely on the receivable status, the recoverability of part of the receivables that has specifically been affected by the weak market condition, may be delayed for a longer-than-expected period or part of the receivables may not be recoverable. Despite such provision and longer-than-expected repayment periods, the Group will initiate necessary actions to recover these receivables in part or in full.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	424,574
Past due but not impaired:	
Less than 1 month past due	2,030
Over 1 month and less than 3 months past due	1,310
Over 3 months past due	5,195
	<hr/>
	433,109
	<hr/> <hr/>

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

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

During the year, there were no discounted bills. The Group has recognised interest expense of RMB165,000 (note 6) on discounted bills in 2017.

## 18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
<i>Current portion:</i>			
Prepayments in respect of:			
— Processing fee		<b>2,419</b>	4,864
— Warehouse rental		<b>1,580</b>	1,625
— Lease of parcels of land	<i>(a)</i>	<b>949</b>	819
— Prepaid land lease payments to be amortised within one year		<b>8,939</b>	8,939
— Purchase of materials and supplies		<b>1,206</b>	1,890
— Purchase of marble blocks and slabs		<b>16,398</b>	23,180
— Service fee		<b>1,791</b>	936
Deposits		<b>3,196</b>	5,614
Deductible input value-added tax		<b>916</b>	9,121
Receivables from labour outsourcing service		—	4,756
Performance security		<b>3,000</b>	3,000
Other receivables		<b>5,641</b>	4,189
		<b>46,035</b>	68,933
Impairment allowance ( <i>note 7</i> )	<i>(c)</i>	<b>(881)</b>	—
		<b>45,154</b>	68,933
<i>Non-current portion:</i>			
Prepayments in respect of:			
— Lease of parcels of land	<i>(a)</i>	<b>8,220</b>	7,869
— Cultivated land used tax	<i>(b)</i>	<b>5,060</b>	5,272
		<b>13,280</b>	13,141

### *Notes:*

- (a) The balances represent prepayments made to villagers for the use of parcels of land for mining activities at the marble mine located in Yongfeng County, Jiangxi Province, the PRC (“Yongfeng Mine”) and in Lichuan County, Hubei Province, the PRC (“Lichuan Mine”).
- (b) The balance represents prepayments made to local authorities for occupation of the cultivated land at Yongfeng Mine and Lichuan Mine. The prepayments will be charged to profit or loss on a straight-line method over the terms of the mining right.
- (c) An impairment loss of RMB881,000 for financial assets in prepayments, other receivables and other assets was recognised during the year.

Where applicable, an impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2018 ranged from 0.5% to 10%.

## 19. RESTRICTED DEPOSITS, PLEDGED TIME DEPOSITS AND CASH AND BANK BALANCES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Cash on hand and cash at banks	102,700	29,356
Time deposits with original maturity of:		
— over three months	—	3,689
	<u>102,700</u>	<u>33,045</u>
Less:		
Restricted deposits for environmental rehabilitation deposits	(2,524)	(2,560)
Pledged deposits for:		
— interest-bearing bank loans ( <i>note 22(a)</i> )	—	(1,129)
	<u>100,176</u>	<u>29,356</u>

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
RMB	101,590	32,258
HK\$	1,029	620
US\$	81	167
	<u>102,700</u>	<u>33,045</u>

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

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

## 20. TRADE AND BILLS PAYABLES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade payables	42,298	64,134
Bills payable	40,350	132,157
	<u>82,648</u>	<u>196,291</u>

## 20. TRADE AND BILLS PAYABLES (continued)

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 1 month	5,894	106,957
1 to 2 months	861	436
2 to 3 months	1,538	961
Over 3 months	74,355	87,937
	<u>82,648</u>	<u>196,291</u>

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

## 21. OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
<i>Current portion:</i>			
Advances from customers		–	8,459
Payables relating to:			
Taxes other than income tax		26,149	25,796
Purchase of mining rights	(a)	18,600	18,600
Payroll and welfare		11,485	12,922
Consideration payable for acquisition of a subsidiary		11,432	–
Purchase of property, plant and equipment		11,314	9,587
Professional fees		9,709	10,887
Mineral resources compensation fees		4,480	4,869
Security deposit		1,886	1,886
Distributors' earnest money		1,745	1,805
Due to a shareholder	(b)	1,550	2,898
Rental fees		1,473	2,263
Land occupation fee		–	380
Employee reimbursement		529	288
Advertisement fees		191	191
Interest payables relating to:			
Bank loans		5,987	1,857
Purchase of mining rights	(a)	3,707	3,707
Others		2,411	5,033
		<u>112,648</u>	<u>111,428</u>

*Notes:*

- (a) The balances represent payables in connection with the purchase of mining rights to Yongfeng Mine. The payables are unsecured and bear interest at a rate with reference to the prevailing interest rate with the similar repayment term promulgated by the People's Bank of China, i.e., 4.75% per annum.
- (b) The balance represented the interest-free loan granted by the Company's director, Ms. Wu Jing in support of the Group's development. The borrowing is unsecured and has no fixed repayment terms.

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



## 22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
Bank loans:			
Secured and guaranteed	<i>(a)</i>	<b>36,653</b>	54,952
Secured	<i>(a)</i>	<b>142,047</b>	92,390
Guaranteed	<i>(b)</i>	<b>4,188</b>	4,188
		<u><b>182,888</b></u>	<u>151,530</u>
Effective interest rate per annum (%)		<u><b>5.66–7.60</b></u>	<u>5.66–7.13</u>
Other borrowings:			
Secured and guaranteed	<i>(a)</i>	<b>220,000</b>	247,373
Unsecured	<i>(c)</i>	<b>4,750</b>	–
		<u><b>224,750</b></u>	<u>247,373</u>
Effective interest rate per annum (%)		<u><b>8.00–9.20</b></u>	<u>6.52–9.00</u>
Analysed into:			
Bank loans repayable:			
Within one year		<b>173,388</b>	147,030
In the second year		<b>9,500</b>	–
In the third to fifth years, inclusive		–	4,500
		<u><b>182,888</b></u>	<u>151,530</u>
Other borrowings repayable:			
Within one year		<b>50,000</b>	27,373
In the second year		<b>170,000</b>	50,000
In the third to fifth years, inclusive		<b>4,750</b>	170,000
		<u><b>224,750</b></u>	<u>247,373</u>
Total bank and other borrowings		<b>407,638</b>	398,903
Portion classified as current liabilities		<u><b>(223,388)</b></u>	<u>(174,403)</u>
Non-current portion		<u><b>184,250</b></u>	<u>224,500</u>

## 22. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

- (a) The Group's bank loans and other borrowings of approximately RMB398,700,000 as at 31 December 2018 (2017: RMB394,715,000) were secured by certain assets with net carrying values as follows:

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
<i>Secured by:</i>			
Property, plant and equipment	<i>11</i>	<b>12,952</b>	14,359
Prepaid land lease payments		<b>298,457</b>	306,104
Mining right of Zhangxi Mine	<i>14</i>	<b>116,627</b>	116,627
Time deposits	<i>19</i>	–	1,129
		<b>428,036</b>	438,219

The Group's secured bank loans and other borrowings of approximately RMB256,652,000 as at 31 December 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 31 December 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 per annum.
- (c) The Group's other borrowings of approximately RMB4,750,000 as at 31 December 2018 were borrowed from several independent third party individuals and bore interest at a fixed interest rate of 8% per annum.

## 23. SHARE CAPITAL

### Shares

	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
Authorised:		
5,000,000,000 ordinary shares of HK\$0.01 each (2017: 3,000,000,000 ordinary shares of HK\$0.01 each)	<b>39,953</b>	23,651
Issued and fully paid:		
2,752,041,551 ordinary shares of HK\$0.01 each (2017: 2,246,374,885 ordinary shares of HK\$0.01 each)	<b>22,768</b>	18,349

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

### Issued share capital:

	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares RMB'000</b>
At 1 January 2018	2,246,374,885	18,349
Issue of new ordinary shares	47,000,000	380
Issue of new shares for acquisition of a subsidiary	458,666,666	4,039
As at 31 December 2018	<b>2,752,041,551</b>	<b>22,768</b>

## 23. SHARE CAPITAL (continued)

*Notes:*

On 30 January 2018, the Company entered into the subscription agreement with the subscriber to subscribe for 47,000,000 subscription shares at the subscription price of HK\$0.776 per subscription share. The subscription was completed on 14 February 2018, with net proceeds from the subscription of HK\$36,472,000 (equivalent to approximately RMB29,499,000), of which RMB380,000 and RMB29,119,000 were credited to the share capital and share premium account of the Company respectively. Particulars of the above were set out in the Company's announcements dated 30 January and 14 February 2018.

On 19 December 2018, the Group allotted and issued an aggregate of 458,666,666 new ordinary shares of the Company as the consideration for the acquisition of the entire interests in Vigoroso Holdings Limited ("Vigoroso Holdings") (note 25). The aggregate fair value of the 458,666,666 ordinary shares, determined by reference to the closing quoted market price of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited at the acquisition date, amounted to RMB123,182,000, of which RMB4,039,000 and RMB119,143,000 were credited to the share capital and share premium account of the Company, respectively. Particulars of the above were set out in the Company's announcement dated 19 December 2018.

## 24. SHARE OPTION SCHEMES

On 9 December 2013, the Company has conditionally adopted a share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to full-time or part-time employees, executives, officers or directors (including independent non-executive directors). The Pre-IPO Share Option Scheme will remain in force for 42 months from the date of listing unless otherwise cancelled or amended. The final batch of 1,066,669 share options under the Pre-IPO Share Option Scheme expired without being exercised on 30 June 2018.

The Company also operated another share option scheme (the "Share Option Scheme") which has been conditionally adopted by the written resolutions of the shareholders of the Company on 9 December 2013. The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the Eligible Participants, including (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries; and (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries, had or may have made to the Group. The Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to Directors, chief executives, substantial shareholders or any of their respective associates are subject to approval by the independent non-executive directors (excluding the independent non-executive directors who are the grantees of the options). In addition, any grant of share options to substantial shareholders or independent non-executive directors or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue on the date of offer with an aggregate value (based on the closing price of the Company's shares quoted on the Hong Kong Stock Exchange (the "HKSE") at the date of grant) in excess of HK\$5 million made within any 12-month period from the date of grant (inclusive) would be subject to shareholders' approval in a general meeting.

The offer of a grant of share options under the Share Option Scheme may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.

## 24. SHARE OPTION SCHEMES (continued)

The exercise price of share options is determinable by the board of Directors, but may not be less than the highest of (i) the nominal value of shares of the Company; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant of the share options; and (iii) the HKSE closing price of the Company's shares on the date of grant of the share options.

On 4 January 2018 and 30 October 2018, the Company granted 133,333,400 and 229,300,000 ordinary shares of HK\$0.01 each under the Share Option Scheme to eligible directors, employees and other eligible participants, the exercise period of the share options granted is determinable by the Directors and commence effectively from the date of offer of the share options without vesting period. The exercise price of the share options granted is HK\$0.854 and HK\$0.399 each respectively.

The following share options were outstanding during the year:

	<i>Notes</i>	<b>Weighted average exercise price HK\$ per share</b>	<b>Number of options</b>
As at 1 January 2018	<i>(a)</i>	2.390	1,066,669
Granted during the year	<i>(b)</i>	0.566	362,633,400
Expired during the year	<i>(a)</i>	2.390	<u>(1,066,669)</u>
As at 31 December 2018			<u><u>362,633,400</u></u>

*Notes:*

- (a) The share options outstanding as at 1 January 2018 represented share options granted by the Company on 30 December 2013 at an exercise price of HK\$2.390 per share. These 1,066,669 share options expired without being exercised on 30 June 2018.
- (b) On 4 January and 30 October 2018, options to subscribe for a total of 133,333,400 and 229,300,000 shares with a nominal value of HK\$0.01 each in the share capital of the Company were granted under the Share Option Scheme at exercise prices of HK\$0.854 and HK\$0.399 respectively.

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

**2018:**

Number of options	Exercise price per share HK\$	Exercise period
133,333,400	0.854	From 4 January 2018 to 3 January 2020
<u>229,300,000</u>	0.399	From 30 October 2018 to 29 October 2020
<u><u>362,633,400</u></u>		

2017:

Number of options	Exercise price per share HK\$	Exercise period
<u>1,066,669</u>	2.390	From 30 June 2017 to 30 June 2018

## 24. SHARE OPTION SCHEMES (continued)

The Group had 362,633,400 share options exercisable as at 31 December 2018 (2017: 1,066,669). The Group recognised a share option expense of HK\$42,336,000 (equivalent to approximately RMB36,219,000) during the year ended 31 December 2018 (a share option expense recognised in 2017: HK\$180,000, equivalent to approximately RMB142,000).

The fair values of equity-settled share options granted were estimated and valued by independent professional valuers as at the dates of grant, using the binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the major inputs to the model used:

	Equity-settled share options granted on		
	4 January 2018	30 October 2018	9 December 2013
Dividend yield (%)	–	–	–
Expected volatility (%)	54.41	53.97	46.05~55.29
Risk-free interest rate (%)	1.36	2.15	0.26~1.23

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

At the end of the reporting period, the Company had 362,633,400 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 362,633,400 additional ordinary shares of the Company and additional share capital of HK\$3,626,334 and share premium of HK\$201,731,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 362,633,400 share options outstanding under the Share Option Scheme, which represented approximately 13.2% of the Company's shares in issue as at that date.

## 25. ACQUISITION OF A SUBSIDIARY

On 19 December 2018, the Group acquired 100% equity interests in Vigoroso Holdings from Mr. Chen Yuhong, an independent individual and the then sole owner of Vigoroso Holdings. Vigoroso Holdings indirectly owns 80% equity interests in Lotus Materials, which holds the mining permit to a marble mine located at Shaxi County, Lichuan, Hubei Province, with an area of approximately 1.4565 square kilometres, which will expire on 22 August 2023. Vigoroso Holdings and its subsidiaries (together, "Vigoroso Group") are principally engaged in mining exploration of marble products.

The purchase consideration was in the form of cash, amounted to RMB11,432,000 and the allotment and issue of 458,666,666 ordinary shares by the Company at HK\$0.305 per share at the acquisition date, amounting to HK\$139,893,000 (equivalent to approximately RMB123,182,000) in aggregate. The acquisition was completed on 19 December 2018.

Particulars of the acquisition of the entire equity interests in Vigoroso Holdings were set out in the Company's announcements dated 29 August 2018 and 19 December 2018.

## 25. ACQUISITION OF A SUBSIDIARY (continued)

The acquisition of Vigoroso Group has been accounted for as an asset acquisition, as the acquisition did not have all required attributes of a business. The identified assets and liabilities as at the respective date of acquisition are as follows:

	<i>RMB'000</i>
Property, plant and equipment ( <i>note 11</i> )	2,058
Prepayment in respect of lease of parcels of land	1,302
Mining rights ( <i>note 14</i> )	165,466
Cash and bank balances	1
Other payables	(560)
Non-controlling interests	(33,653)
	<hr/>
Total identifiable net assets at fair value	134,614
	<hr/> <hr/>
Satisfied by cash	11,432
Satisfied by shares	123,182
	<hr/>
	134,614
	<hr/> <hr/>

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

	<i>RMB'000</i>
Total cash consideration	(11,432)
Less: cash and cash equivalents acquired	1
cash consideration payable	11,432
	<hr/>
Net cash inflow from the acquisition of a subsidiary	1
	<hr/> <hr/>

## 26. COMMITMENTS

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

	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Contracted, but not provided for:		
— Plant and equipment	<b>152,959</b>	129,079
	<hr/> <hr/>	<hr/> <hr/>

## 27. EVENT AFTER THE REPORTING PERIOD

On 4 March 2019, the Company entered into a subscription agreement with an independent private investor, Liu Kun (the “Subscriber”), pursuant to which the Subscriber has agreed to subscribe in cash, and the Company has agreed to issue, a bond with principal amount of HK\$32,000,000, bearing an interest rate of 5% per annum with a maturity date falling eighteen (18) months from the date of issue of the bond.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Marble and Mining Business

##### *New Production Plant*

During the year, the construction of the new production plant in Jiangxi Province remained the focal point in the Group's marble and mining business. With a construction area of approximately 60,000 square metres, the plant will accommodate research and development facilities, offices premises and other supplemental facilities. Large scale stone saw machines and slabs grinding machines were installed in the year. It is expected that upon full operation of the plant, it can serve as the regional production hub for the Group's mines apart from acting as the stone processing centre for Yongfeng Mine. In a longer run, the plant has extra production capacity for providing processing services to other mines in the region. The completion time schedule has experienced some delay from the original plan due to the poor weather in the local area in the second half of the year affecting the overall construction work progress. The Group expects to commence its pre-production run for the plant before end of the first half year of 2019 and commence mass production thereafter. In the meantime, the Group continued to reduce its inventory level since early 2018 for aged inventories in the anticipation of the shortened marble product processing cycle from excavation of marble blocks to polished slabs in the near future benefited from the proximity of the Yongfeng Mine and the plant. The reduction of inventory level of marble slabs leads to a direct cost-saving in renting and maintaining storage facilities in its sales hub at Shuitou in Fujian Province.

##### *Lichuan Mine*

The Group has been implementing business strategies to expand its business through broadening its product range and services to meet the market needs and to meet the variety of customers' preferences. To achieve such strategy, it has been continuously sourcing mines with limestone resources from which high-quality unique pattern and colored limestone could be produced. During the year, the Group successfully acquired 80% interest in Lichuan Mine. The stone produced from Lichuan Mine has unique wooden grains bearing Oracle-like patterns. The acquisition enables the Group to further enlarge the variety of stone product in its existing fleet and to enhance its competitiveness in the stone market, thus provides an opportunity to the Group to increase its profitability and to expand its market share.

##### *Guanyang Mines*

The Group, through its subsidiaries and associate company, has interests in different project companies which own the mining rights of a number of limestone mines in China. The mining licenses of such mining rights have a valid period of 3 to 5 years and will be eligible for renewal upon expiry under normal circumstances. Among the project companies, the Group was interested in 51% of the mining rights of both Guiguan Mine and Wenshi Mine (collectively, the "Guanyang Mines") both are located in Guanyang County of Guangxi Province in China. As stated in the Company's 2018 Interim Report, it is noted that (i) the mining licenses of the Guanyang Mines were expired in 2018; (ii) the renewal application of

the mining license of the Wenshi Mine was made by the management of the Group's subsidiary to the relevant authorities before its expiration; and (iii) it was expected that there was no legal barrier for the Group to renew the mining license of the Guiguan Mine after assessment by the management of the Group.

Based on the experience of the management of the Group and after assessment of the Group's competency, it was expected that the Group will be eligible for the mining rights renewal under normal circumstances. However, on 25 March 2019, the Group received a notification (the "Notice") from the Land and Resources Bureau (the "Guanyang Bureau") of Guanyang County in Guangxi Province that the Bureau has rejected the applications (the "Applications") made by the Group for the renewal of the mining licenses of Guanyang Mines originally held by Guanyang County Guiguan Stone Co., Ltd. (灌陽縣桂灌石材有限責任公司) ("Guiguan Stone"), a non-wholly owned subsidiary of the Company. As further set out in the Notice, the Guanyang Bureau rejected the Applications for the reasons that it is the intention of the local government to integrate the mining resources located in Guanyang County for better utilization and development of local natural resources. Based on this, it is advised by the management of Guiguan Stone that the Group is currently in the process of negotiating with the local government for any feasible business arrangements, such as operating rights, under which the Group could play an active and crucial role in the local stone production chain. Further announcement(s) will be published by the Company, where appropriate, should there be any arrangements being affirmed. The Group recognizes an impairment of approximately RMB518 million in relation to the aforesaid mining rights held by the Group. The loss arising from the aforesaid impairment attributable to owners of the Company amounted to approximately RMB264 million.

#### *Lingnan Mine and Zhangxi Mine*

The Group also owned the interests in both Lingnan Mine and Zhangxi Mine both located in Yongfeng County of Jiangxi Province in China. The Group was informed by Yongfeng County Natural Resources Bureau (the "Yongfeng Bureau") on 27 February 2019 that the mining area of Lingnan Mine overlaps with the latest intuitive visual range of the Changning Expressway and hence no longer comply with the Yongfeng Bureau's existing mining rights administration requirements. Accordingly, the Yongfeng Bureau rejected the Group's application for the renewal of Lingnan Mine's mining license. In spite of this, after considering the rejection of the said renewal, the Yongfeng Bureau has agreed to expand the existing mining area of the Zhangxi Mine, which is also under Yongfeng Bureau's administration, as kind of follow-up arrangement, subject to further application and approval as required to be obtained from the relevant authorities.

Based on the latest prospecting, the additional marble resources of the expanded Zhangxi Mine is higher than the original marble resources of the Lingnan Mine. As such, the Group considers that the rejection of the renewal of the Lingnan Mine did not have any significant financial impact to the Group as a whole. Further announcement(s) will be published by the Company where appropriate.



### *Commodities Trading Business*

The commodities trading market has cool down in the year following the slow-down of the overall economic growth in PRC as well as the stringent control over the local commodities market. Although the performance of the Group's commodities trading activities was rebounded to certain extent in the second half of the year, the overall revenue generated from this business segment for the year has recorded a drop of approximately 60% as compared to 2017. With the persistent unresolved US-China trade disputes, it casts an uncertainty to the overall economy which may affect the performance of this business segment. The Group will continue in carrying out the commodities trading business in a cautious manner and adjust the related business plan in according to the changing business environment.

### *Logistics Services Business*

The Group's logistics services business was carried out in Jiangsu Province, the PRC. During the year, it provided logistics services to customers for a variety of products such as storage of windmill blades, construction materials and bulk blocks of paper rolls etc. Given that the services of this business segment is rendered to the local importers of raw materials and manufacturing companies for production of goods for export, the demand for logistics services from these entities was inevitably affected by the overall economic condition in China and the US-China trade disputes. In view of the performance of this business segment, the Group performed impairment assessment on the cash generating unit's recoverable amount which includes goodwill, property, plant and equipment, prepaid land lease payment and construction in progress. Following such exercise, certain impairments were made to the assets of this business segment including the goodwill arose from acquisition of this business segment. Should there be any turn-around in the market condition and hence the performance of this business segment, such impairment (except for goodwill) may be reversed to reflect its recoverable amount.

## FINANCIAL REVIEW

### REVENUE

In 2018, the Group recorded an operating revenue of approximately RMB 536.8 million (2017: RMB1,271.1 million), representing a decrease of approximately RMB734.3 million (or 58%) compared to that of 2017, the decrease was mainly due to: (i) revenue generated from commodity trading business decreased by RMB670.2 million as a result of the scale of trading transaction decreased; and (ii) the revenue of marble products decreased by RMB64.4 million due to decrease in sales volume and unit selling price in average.

#### (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:

	2018		Gross profit margin (%)	2017		
	RMB'000	Approximate percentage %		RMB'000	Approximate percentage %	Gross profit margin (%)
Marble blocks	14,806	2.8	73.0	51,565	4.1	77.0
One-side-polished Slabs	61,293	11.4	35.0	83,797	6.6	23.1
Cut-to-size slabs	10,017	1.9	13.3	15,115	1.2	22.1
Logistics	1,241	0.2	(190.2)	933	-	7.5
Commodity Trading	449,435	83.7	0.9	1,119,648	88.1	1.2
Total	<u>536,792</u>	<u>100.0</u>	<u>6.6</u>	<u>1,271,058</u>	<u>100.0</u>	<u>6.0</u>

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

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

Sales volume	2018	2017
Marble blocks (m <sup>3</sup> )	<b>4,609</b>	14,044
One-side-polished slabs (m <sup>2</sup> )	<b>414,597</b>	648,825
Cut-to-size slabs (m <sup>2</sup> )	<b>39,094</b>	50,520
Trading of chemicals (Ton)	<b>19,791</b>	134,885
Trading of marble blocks (m <sup>3</sup> )	<b>4,400</b>	172,988
<b>Average selling price</b>		
Marble blocks (RMB/m <sup>3</sup> )	<b>3,212</b>	3,672
One-side-polished slabs (RMB/m <sup>2</sup> )	<b>148</b>	129
Cut-to-size slabs (RMB/m <sup>2</sup> )	<b>256</b>	299

For the year ended 31 December 2018, the unit selling price of marble blocks decreased by approximately 12.5% as compared to that of 2017, mainly due to lower unit selling price for sale of the aged marble blocks.

The average selling price of one-side-polished slabs during the year increased by approximately 14.7% when compared with 2017, which was because the percentage for the sale of white-stripe-in-black slabs, a relatively low profits margin product, decreased in 2018.

The average selling price of cut-to-size slabs during the year decreased by approximately 14.4% compared with that of 2017, which was mainly attributable to: (i) the intention to clear up long aged cut-to-size slabs in Shuitou through sales promotion with comparatively lower selling price; and (ii) the decrease in the proportion of sale of high-priced cut-to-size slabs to overseas market.

## **COST OF SALES**

For the year ended 31 December 2018, the Group's cost of sales amounted to approximately RMB501.5 million, which mainly consisted of processing costs, marble blocks mining costs, transportation costs and the purchase costs for commodities trading.

### **Processing Costs**

Processing costs of the Group represented the processing fees paid to processors for processing marble blocks into one-side-polished slabs and further polishing one-side-polished slabs into cut-to-size slabs. The processing fees of one-side-polished slabs decreased by RMB10.0 million, representing a decrease of 63.5%, which was mainly due to the decreased processing volume of one-side-polished slabs and cut-to-size slabs.

### **Marble blocks mining costs**

In 2018, marble blocks mining costs of the Group mainly included mining labour costs, materials consumption, fuel, power, depreciation of production equipment and amortization of mining rights. The marble blocks mining cost per unit increased nearly by 39.0% compared to that of 2017, mainly due to the significant increase in outsourcing service fee.

### **Transportation Costs**

Transportation costs included: (i) long-distance transportation fees for transporting marble blocks from the blocks yard of the Yongfeng Mine to Shuitou, Fujian, the processing centre; and (ii) short-distance transportation fees for transporting marble blocks to the transit yard and transportation allocation between the warehouse in Shuitou and processors according to the production and processing plan of the Group. Transportation costs accounted for approximately 0.3% and 0.1% of the production costs for 2018 and 2017, respectively.

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

During 2018, the Group realised a gross profit amounted to approximately RMB35.3 million, decreased by approximately RMB40.7 million as compared to that of 2017. The gross profit margin in 2018 was approximately 6.6%, while the gross profit margin in 2017 was approximately 6.0% .

## **OTHER INCOME AND GAINS**

Other income and gains mainly included foreign exchange gain, interest income from bank deposits and rental income. During the year, foreign exchange gain, interest income and rental income amounted to approximately RMB0.7 million, RMB0.2 million and RMB7.7 million respectively.

## **OTHER EXPENSES**

Other expenses mainly consists of penalties and the expenses related to rental income. In 2018, such expenses amounted to approximately RMB7.0 million.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses mainly consisted of salaries of the Group's sales and distribution staff, transportation costs and advertising costs. Selling and distribution expenses decreased by approximately RMB6.4 million, from approximately RMB11.8 million for the year ended 31 December 2017 to approximately RMB5.4 million for the year, which was in line with the decrease of revenue.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses mainly consisted of equity-settled share option expenses, salaries of administrative staff, rental fee, consultancy fees and depreciation expense. Administrative expenses increased by approximately RMB44.0 million, from approximately RMB46.2 million for the year ended 31 December 2017 to approximately RMB90.2 million for the year. The increase in administrative expenses was mainly come from the equity-settled share option expenses of approximately RMB 36.2 million with the issuance of approximately 133 million and 229 million number of share options on 4 January 2018 and 30 October 2018 respectively. The details are set out in the Company's announcements dated 4 January 2018 and 30 October 2018 respectively.

## **FINANCE COSTS**

Finance costs mainly included interests on bank loans, other borrowings and related interests of rehabilitation. Finance costs for the year ended 31 December 2018 amounted to approximately RMB39.9 million and increased by approximately RMB20.9 million as compared to that of 2017. The increase was mainly attributable to the increase in interests on bank loans and other borrowings.

## **HUMAN RESOURCES AND REMUNERATION POLICY**

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

As at 31 December 2018, the total number of full-time employees of the Group was 122 (31 December 2017: 145). Employee costs (including the Directors' remunerations) totally amounted to approximately RMB53.8 million for 2018 (2017: approximately RMB27.5 million). During the year, as part of the cost control measures, the Group streamlined its

corporate structure in different subsidiaries resulting from a reduction in the overall headcounts. Accordingly, the corresponding redundancy payment was increased in the year. Meanwhile, taking into account the strategic goal of the Group, operating results, efforts and contributions made by each of our executive Directors, senior management and employees, and for the purposes of recognizing their value, motivating for better performance and skills, maintaining the Company's fast-growing development and achieving its long and short-term goals, the remunerations are in line with the market performance and their qualifications and abilities, and makes adjustment according to varied percentage. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in a defined central pension scheme managed by the relevant local government authorities in respective regions in the PRC where the Group is required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme.

The local government authorities are responsible for the entire pension obligations payable to the retired employees and the Group has no obligation for the payment of retirement benefits beyond the annual contributions. In 2018, the contributions of approximately RMB1.3 million (2017: approximately RMB1.3 million) were charged to the profit and loss account as they became payable in accordance with the rules of the central pension scheme.

#### **INCOME TAX EXPENSE**

Income tax expense decreased by RMB7.7 million from approximately RMB8.7 million for the year ended 31 December 2017 to approximately RMB1.0 million for the year. The decrease was mainly due to the decrease in profit before tax.

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

The net loss attributable to owners of the Company during the year amounted to approximately RMB395.8 million. For the year ended 31 December 2017, there was a net profit of RMB8.5 million. The net loss was mainly attributable to the decreased revenue and the increase in administrative expenses, finance costs and impairment losses on intangible assets, goodwill and trade receivables.

#### **INVENTORIES AND TURNOVER DAYS**

The Group's inventories decreased by approximately 58.2%, from approximately RMB129.2 million as at 31 December 2017 to approximately RMB54.0 million as at 31 December 2018. It was primarily due to: (i) decrease in inventories by RMB52.9 million was in line with the decrease in the trading business of commodities; (ii) in order to clear up the aged slabs stored in Shuitou, the Group sold the one-side-polished slabs through sales promotion, accordingly the inventories decreased. The inventory turnover days of the Group increase from 46 to 67 in 2018. Such increase in inventory turnover days was the result of the decrease in trading business and sales of marble products.

## **TRADE RECEIVABLES AND TURNOVER DAYS**

The Group's trade receivables decreased from approximately RMB433.1 million as at 31 December 2017 to approximately RMB276.7 million as at 31 December 2018. The decrease was in line with the decrease in the sales of marble product and trading transactions. The turnover days of trade receivable increased from 76 to 238 in 2018. The increase in trade receivables turnover days was primarily owing to the tightening of financial market conditions, the financial difficulties experienced by downstream enterprises were aggravated and hence the payment to their suppliers was decelerated. Therefore, the Group's certain distributor customers delayed repayment to the Group accordingly as their respective operating cash inflow from the downstream entities was decelerated.

## **TRADE AND BILLS PAYABLES**

The Group's trade and bills payables decreased by approximately RMB113.6 million as compared to about RMB196.3 million as at 31 December 2017 and reached approximately RMB82.6 million as at 31 December 2018. The decrease was in line with the decline of revenue and the demand of purchase.

## **NET CURRENT ASSETS**

Net current assets of the Group decreased from approximately RMB148.6 million as at 31 December 2017 by 86.8% to approximately RMB19.6 million as at 31 December 2018, which was primarily due to capital expenditure used for the construction of new product plant in Jiangxi Province.

## **CURRENT RATIO**

The current ratio, being current assets over current liabilities, was 1.0 as at 31 December 2018 (31 December 2017: 1.3), which was primarily due to the decrease in trade receivables because of the decrease in trading business and sales of marble products .

## **BORROWINGS**

The Group generally finances its operations with internally generated cash flows and banking credit facilities. As at 31 December 2018, the Group had total bank loans and other borrowings of RMB407.6 million (31 December 2017: RMB398.9 million).

## **GEARING RATIO**

The Group's gearing ratio equals to its net debt (total debts net of cash and bank balances) divided by total equity. Total debt is defined as interest-bearing bank and other loans and it excludes liabilities incurred for working capital purposes. As at 31 December 2018, the gearing ratio was 18.7% (2017: 17.7%).

## **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. In 2018, the Group's expenditure for: (i) purchase of property, plant and equipment aggregated to approximately RMB119.1 million; (ii) acquisition of Vigoroso Holdings and its subsidiaries aggregated to approximately RMB2.1 million.

## **FOREIGN EXCHANGE EXPOSURE**

The Group's businesses are located in Mainland China and most of the transactions were denominated in RMB, except for an amount due to the certain cash at banks that is denominated in HK\$ and US\$. As such, the Group has limited exposure to any significant foreign currency exchange risks.

The Board of Directors (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 year.

## **PLEDGE OF ASSETS**

As at 31 December 2018, the property, plant and equipment amounted to approximately RMB13.0 million, the prepaid land lease payment amounted to approximately RMB298.5 million and mining right amounted to approximately RMB116.6 million were pledged as security for obtaining the certain bank loans granted to the Group.

As at 31 December 2017, the property, plant and equipment amounted to RMB14.4 million, the prepaid land lease payment amounted to approximately RMB306.1 million, and mining rights of Zhangxi and Lingnan Mines secured by the Group amounted to about RMB116.6 million and time deposit of RMB1.1 million were pledged as security for obtaining the certain bank loan granted to the Group.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 31 December 2018, the Group had capital commitments of approximately RMB153.0 million for acquisition of property, plant and equipment and intangible assets, which were contracted but not provided for (2017: RMB129.1 million). As at 31 December 2018, the Group had no material contingent liabilities.

## **MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER**

### **Acquisition of 100% equity of Vigoroso Holdings**

On 19 December 2018, the Group acquired 100% equity interests in Vigoroso Holdings from Chen Yuhong, an independent individual and the then sole owner of Vigoroso Holdings. Vigoroso Holdings indirectly owns 80% equity interests in Lotus Materials, which holds the mining permit to a marble mine located at Shaxi County, Lichuan, Hubei Province, with an area of approximately 1.4565 square kilometres, which will expire on 22 August 2023. Vigoroso Holdings and its subsidiaries (together, “Vigoroso Group”) are principally engaged in mining exploration of marble products, the acquisition was made to further enlarge the variety of stone products and to enhance the Group’s competitiveness in the stone market.

The purchase consideration was in the form of cash, amounted to RMB11.43 million and the allotment and issue of 458,666,666 ordinary shares by the Company at HK\$0.305 per share at the acquisition date, amounting to HK\$139,893,000 (equivalent to approximately RMB123,182,000), in aggregate. The acquisition has been completed on 19 December 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 and quality of products is crucial to ensure the steady and adequate supply of different stones with high quality. As such, the Group will continue seeking for quality mine resource as well as utilizing its existing mining resources to produce stone products with different patterns and colors to meet market demand. Coupled with the forthcoming new production facility in Jiangxi Province, the quality of its final products will further be assured. However, with the persistent US-China trade disputes which to certain extent affect the PRC economic growth and hence the real estate market and the construction material market. The Group expect 2019 is still a challenging year to the Group. It will carry out its business plan cautiously and revise where necessary to adapt to the changing market situation and conditions of the Group.



## RESOURCES AND RESERVES

### SHANGRI-LA MINE

Our Shangri-La Mine is located at Xianggelila City of Yunnan Province, China. The table below summarizes key information related to our current mining permit for the Shangri-La Mine.

Holder	Shangri-La Company
Nature of resource	marble
Covered area	approximately 0.1649 square kilometer
Issuance date	March 2018
Expiration date	March 2021
Permitted production volume	50,000 cubic meters per annum

The Yunnan Province Bureau of Land and Resources assessed a mining right fee of RMB0.56 million for a period of every three years.

The table below summarizes the marble resources of Shangri-La Mine estimated as of 31 December 2018 according to Chinese Standards.

RESOURCES	Millions of cubic meters
Indicated	2.2
Inferred	0.3
Total	<u>2.5</u>

During the year, the Shangri-La Mine excavated approximately 309 cubic metres of marble blocks in total (2017: 250 cubic metres). No capital expenditure was incurred in 2018 (2017: Nil).

## DEJIANG MINE

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

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

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

At the date of this report, the application for further renewal of the mining license of the Dejian Mine has been approved by relevant authorities in February 2019 and pending the issue of the renewed mining licence.

The following table summarizes the marble resources of our Dejiang Mine, estimated as of 31 December 2018 under Chinese Standards.

<b>RESOURCES</b>	<b>Millions of cubic meters</b>
Indicated	1.3
Inferred	<u>0.8</u>
Total	<u><u>2.1</u></u>

The Group did not have exploration, development and production activities for Dejiang Mine in 2018 (2017: Nil).

## 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.
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 laws and regulations.
Permitted production volume	250,000 cubic meters per annum

The application of the renewal of the mining license of the Yongfeng Mine has been approved by relevant authorities in June 2018 and pending issue of the renewed mining license.

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 remaining balance of the mining right fee was paid in January 2019.

Given (i) the Group had received the approval for the renewal of license application from the relevant government authority as mentioned above; (ii) there is no practical legal impediments in respect of the renewal of the license provided that the Group submitted the requisite application documents to the relevant authorities and undertakes the necessary procedures for renewal, as well as demonstrating to the relevant authorities the capability for the operation of the mine including investment in the auxiliary processing facilities; and (iii) the Group had paid the remaining outstanding mining right fee of RMB18.6 million in January 2019, the Group is of the view that under general market practice, the mining license remains valid and effective and the Group has retained its mining rights over the extraction and exploitation of the mine resources within the Yongfeng Mine during the relevant period.

The following table summarizes the marble resources and reserves of our Yongfeng Mine, estimated as of 31 December 2018 under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”).

<b>RESOURCES</b>	<b>Millions of cubic meters</b>
Measured	51.2
Indicated	46.6
Inferred	8.8
Total	<u>106.6</u>

  

<b>RESOURCES</b>	<b>Millions of cubic meters</b>
Proved	23.0
Probable	21.0
Total	<u>44.0</u>

The estimated resources and reserves of the Yongfeng Mine as of 31 December 2018 were arrived after taking into account the estimated resources and reserves of the Yongfeng Mine as of 30 September 2013 minus the amount of extraction in the course of the Group’s normal and routine mining activities carried out during the period from 1 October 2013 to 31 December 2018 and have been substantiated by Mr. NIE Zhiqiang, the vice president of Jueshi Mining, our wholly-owned subsidiary, who has over 25 years of experience in mining production (including exploration and extraction process). For details of the biographical information of Mr. NIE Zhiqiang, please refer to the prospectus of the Company dated 16 December 2013 (the “Prospectus”).

The estimated resources and reserves of Yongfeng Mine as of both 30 September 2013 (as disclosed in the Prospectus) and 31 December 2018 (as disclosed in this announcement) were based on the resources and reserves under the JORC Code, i.e. there was no change in the reporting standard used in arriving at these estimates on the respective dates. The methods used to estimate mineral resources and the parameters used for the estimated resources and reserves of the Company as of 30 September 2013 and 31 December 2018 were identical.

The Group had mining activities for Yongfeng Mine in 2018 and excavated approximately 6,588 cubic metres marble blocks in total (2017:3,700 cubic metres). No capital expenditure was incurred in 2018. (2017: Nil)

## ZHANGXI MINE

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

Holder	Ji'an Mining
Nature of resource	marble
Covered area	approximately 0.7 square kilometre
Issuance date	23 July 2015
Expiration date	23 July 2018
Permitted production volume	20,000 cubic metres per annum

As set out in the Business Review section, the Yongfeng Bureau has agreed to expand the existing mining area of the Zhangxi Mine which is also under Yongfeng Bureau's administration. The Group is in the process of applying for renewal of the mining license of the Zhangxi Mine with the expanded mining area and increased marble resources with the Yongfeng Bureau. As it was indicated by the Yongfeng Bureau for the above arrangement, the Group consider the renewal of mining license will be approved and granted upon satisfaction of the other administrative and basic requirements. The Group keeps monitoring the progress in respect of the renewal and consider that there is no material barrier for the Group to renew such mining license.

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

The table below summarizes the marble resources of Zhangxi Mine estimated as of 31 December 2018 according to Chinese Standards.

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

The Group did not have exploration, development and production activities for Zhangxi Mine in 2018 (2017: None).

## LICHUAN MINE

The Lichuan Mine is located at Shaxi County, Lichuan, Hubei Province, the PRC. The table below summarizes key information related to the current mining permit for the Lichuan Mine.

Holder	Lichuan Mining
Nature of resource	marble
Covered area	approximately 1.5 square kilometre
Issuance date	22 August 2018
Expiration date	22 August 2023
Permitted production volume	13,000 tons per annum

The Hubei Province Bureau of Land and Resources assessed a mining right fee of RMB0.166 million for a period of five years.

The table below summarizes the marble resources of Lichuan Mine estimated as of 31 December 2018 according to Chinese Standards.

<b>RESOURCES</b>	<b>Millions of cubic meters</b>
Indicated	3.88
Inferred	<u>0.67</u>
Total	<u><u>4.55</u></u>

The Group did not have exploration, development and production activities for Lichuan Mine in 2018 (2017: None).

## **OTHER INFORMATION**

### **SHARE CAPITAL**

The total amount of authorised share capital of the Company is HK\$50,000,000 divided into 5,000,000,000 ordinary shares of HK\$0.01 each, with 2,752,041,551 ordinary shares in issue as at 31 December 2018.

During the year, the Company issued 458,666,666 shares as part of the consideration for the acquisition of Vigoroso Holdings.

On 30 January 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\$36.5 million (approximately equivalent to RMB29.5 million). The net proceeds were utilized as general working capital.

### **PRE-EMPTION RIGHT**

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

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

### **MAJOR SUBSEQUENT EVENTS**

On 4 March 2019, the Company entered into the subscription agreement with an independent private investor, Liu Kun (the "Subscriber"), pursuant to which the Subscriber has agreed to subscribe in cash, and the Company has agreed to issue, a bond with principal amount of HK\$32,000,000, bearing an interest rate of 5% per annum with a maturity date falling eighteen (18) months from the date of issue of the bond.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards of dealings as set out in the Model Code throughout the year ended 31 December 2018.

## **DIVIDEND**

The Board does not recommend payment of final dividend for the year ended 31 December 2018 (2017: Nil).

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) which comprises three independent non-executive Directors, namely, Ms. LUNG Yuet Kwan (as chairman), Ms. ZHANG Xiaohan and Mr. HUI Yat On pursuant to the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee has, in conjunction with the management of the Company, reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, and reviewed this results announcement as well as the annual results for the year ended 31 December 2018.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

The Company has complied with the code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2018, except for the following deviation.

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

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 (details are set out in the Company’s announcement dated 1 December 2016). 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 operations.



## **PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND 2018 ANNUAL REPORT**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.artgo.cn](http://www.artgo.cn)). The annual report of the Company for the year ended 31 December 2018 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 March 2019

*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. Lung Yuet Kwan, Ms. Zhang Xiaohan and Mr. Hui Yat On.*