ARTGO HOLDINGS
雅高控股

ANNUAL REPORT 2014

ARTGO HOLDINGS LIMITED
雅 高 控 股 有 限 公 司
(incorporated in the Cayman Islands with limited liability)
Stock Code: 3313

CONTENTS

Dear Shareholders,

On behalf of the board (the "Board") of directors of ArtGo Holdings Limited ("ArtGo Holdings" or the "Company", together with its subsidiaries referred to as the "Group"), I am honoured to present the annual report of the Group for the year ended 31 December 2014.

Liu Chuanjia
Chairman

FINANCIAL RESULTS

During the year, the Group's operating income significantly increased 146.4% to approximately RMB344 million, with a remarkable increase of approximately 1.61 times in the gross profit to RMB217 million. Benefited from the combined effects of the enhanced quality of the Group's products, the lowering of unit cost of the products as well as the higher proportion in revenue from cut-to-size slabs with higher sales gross margin, the Group's gross margin in the period has dramatically risen from 59.5% to 63.0%. In addition, the Group has succeeded in turning losses into profits and recorded a net profit of approximately RMB102 million.

BUSINESS REVIEW

In February 2013, the Group launched large-scale commercial production in the Yongfeng Mine in Jiangxi Province, PRC. In 2014, the Group has extracted a total of approximately 44,094 cubic meters of marble blocks in the Yongfeng Mine. We have developed two operating mining areas in the Yongfeng Mine, namely North #1 and North #4 mining area. There are eight benches in the North #1 mining area (2013: seven) and six benches in the North #4 mining areas (2013: two). Benefited from a favorable geographical environment and ideal geological conditions of the Yongfeng Mine and based on the good foundation we laid on our mine, we are very confident in the mining of the Yongfeng Mine in the future.

At present, the Group's products are mainly marble blocks, one-side-polished slabs and cut-to-size slabs. During the year under review, the production volume of major products is stably growing, wherein the sales volume of cut-to-size slabs has reached 576,286 square meters, with sales of RMB235 million, accounting for 68.2% of total sales and representing a 6.33 times increase compared to 2013. The significant increase in cut-to-size slabs business was due to the significant achievement in the Group's strategic expanding channels of development projects in

2014. In terms of price, the average selling price of cut-to-size slabs has greatly risen 31.9% in 2014. The Group's stone products can be comparable to internationally renowned products, with a large room of price increase, our product price is expected to be gradually increase in the future.

As at 31 December 2014, the Group has a network of 100 distributors, covering 87 cities across 29 provinces and autonomous regions in the People's Republic of China (the "PRC" or "China"). In addition, along with the growing brand effect of "ArtGo" marble products, compared to the direct sales revenue of RMB85 million in 2013, the Group has achieved revenue of nearly RMB300 million in 2014, with the direct sales revenue increasing 2.5 times.

LOOKING INTO THE FUTURE

The Group has a substantial amount of high-quality marble mineral reserves and extensive industry experience. Building on this foundation, the Group will fully integrate every aspect of upstream and downstream of the marble industry and expand the business from upstream mining to downstream in 2015, forming an operation of vertically integrated whole industry chain. In the future, we will construct a stone trading platform, which relies on resources, and focus on brand, marketing networks and channels. By integrating global resources, the Group is expected to become the industry benchmark.

According to China Stone Industry Development Report in 2015, in the future the China's stone companies will focus on the developing trend of the transferring, the restructuring and the upgrading of the industry. They will also change from the construction market relying on investment to the home decoration market relying on consumption. The Group will launch a new brand "ArtMore" in 2015, providing a variety of standardized marble products to high-end consumers, the product range including standard cut-to-size slabs, shaped slabs, bathroom and home decoration products and one-stop interior solutions. The sales of ArtMore will be combined with online and off-line. The online sales will be conducted by opening ArtMore brand stores and cooperating with other home decoration platforms. For the off-line sales, consumers will be able to commune with ArtMore marble in person in experience stores which are to be opened in major cities.

APPRECIATIONS

The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 30 December 2013. In 2014, the Group has succeeded in turning losses into profits and recorded a net profit of approximately RMB102 million. In the Group's past development, we have experienced challenges and opportunities. Our success today depends on the support of the community and of each employee. On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our staff for their efforts and dedicated services, and to the Group's shareholders, investors, partners and clients for their trust and continuing supports.

We, the management team of ArtGo Holdings, are aware of our heavy responsibility. In the future, we will continue our hard work, and respect the nature with a humble heart, contribute the society with gratitude, work in a modest attitude, and embrace win-win propositions when collaborating with our partners. When pursuing for our employees' happiness in both of the material and spiritual aspects, we will also create rich return for our shareholders, lead the industry, provide beautiful lifestyle for people, and make effort to contribute the development of the society. While creating both physical and spiritual happiness for all our staff, we will create a rich return for shareholders and lead the industry to provide a beautiful life for human and contribute to social development.

Liu Chuanjia
Executive Director, Chairman

Hong Kong, 18 March 2015

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIU Chuanjia *(Chairman)*
Mr. WU Wenzhen (吳文珍) *(Chief Executive Officer)*
Mr. LI Dingcheng (李定成)
Mr. HAN Yingfeng (韓英峰)

Non-executive Director

Mr. WU Yun (吳雲)

Independent Non-executive Directors

Mr. LIU Jianhua (劉建華)
Mr. WANG Hengzhong (王恒忠)
Mr. JIN Sheng (金勝)

AUTHORISED REPRESENTATIVES

Mr. LIU Chuanjia
Ms. AI Qinghua

AUDIT COMMITTEE

Mr. WANG Hengzhong *(chairman)*
Mr. JIN Sheng
Mr. LIU Jianhua

REMUNERATION COMMITTEE

Mr. JIN Sheng *(chairman)*
Mr. LIU Chuanjia
Mr. WANG Hengzhong

NOMINATION COMMITTEE

Mr. LIU Chuanjia *(chairman)*
Mr. JIN Sheng
Mr. LIU Jianhua

JOINT COMPANY SECRETARIES

Ms. CHEUNG Yuet Fan ACS, ACIS
Ms. AI Qinghua

REGISTERED OFFICE

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3 Garden Road, Central
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAWS

Li, Wong, Lam & W. I. Cheung
22nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

AUDITORS

Ernst & Young

COMPLIANCE ADVISER

CMB International Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

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STOCK CODE

3313

WEBSITE AND CONTACT

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MANAGEMENT DISCUSSION AND ANALYSIS

In February 2013, the Group launched large-scale commercial production at Yongfeng Mine situated in Jiangxi Province in China. In 2014, the Group has extracted a total of 44,094 cubic metres of marble blocks in the Yongfeng Mine. We have developed two operating mining areas in the Yongfeng Mine, namely North #1 and North #4 mining areas. There are eight benches in the North #1 mining area and six benches in the North #4 mining area. Benefiting from a favourable geographical environment, the ideal geological conditions of the Yongfeng Mine and based on the good geological conditions which we laid on our mine, we are very confident in the mining of the Yongfeng Mine in the future.

As at 31 December 2014, the Group has a network of 100 distributors, covering 87 cities across 29 provinces and autonomous regions in the People's Republic of China (the "PRC" or "China"). In addition, the Group's further enhancement and expansion of its direct sales channels, along with the growing brand effect of the Company's marble products, contributed to a rapid increase in the direct sales in the first half of 2014. The first stone experience store of the Company was opened at the end of 2013 in Xiamen and ArtMore Esthetic Life Store will also be opened in the first half of 2015 in Xiamen, focusing on the integration of the innovative design of stone and home decoration. We hope to visionarily set the trend among consumers using stone with this store. To provide customers with more comprehensive marble products, we are also actively seeking marble resources that can bring synergies to the Group and provide a useful complement to existing products in terms of colours.

RESOURCES AND RESERVES

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

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

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB55.8 million for a period of 30 years. After paying RMB18.6 million in January 2013, we obtained a mining permit with an initial term of five years from 5 February 2013 to 5 February 2018. The term of our mining permit can be extended for another 25 years according to applicable PRC laws and regulations upon completion of our payment of the remaining mining right fee of RMB27.9 million plus interest settled by equal annual installments within the next three years from 1 March 2015 to 1 March 2017. The first installment was paid by the Group's own funds as the pay fell due in March 2014. As at March 2015, the Group once again paid a mining right fee of RMB9.3 million.

The following table summarizes the marble resources and reserves of our Yongfeng Mine, estimated as of 31 December 2014 under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

Resources	**Millions of cubic meters**
Measured	51.3
Indicated	46.6
Inferred	8.8
Total	106.7

Reserves	**Millions of cubic meters**
Proved	23.1
Probable	21.0
Total	44.1

The Estimated Resources and Reserves as of 31 December 2014 were arrived after taking into account the Estimated Resources and Reserves as of 30 September 2013 minus the amount of extraction in the course of the Group normal and routine mining activities carried out during the period from 1 October 2013 to 31 December 2014 and have been substantiated by the following two persons: (i) Mr. NIE Zhiqiang, the vice president of Jueshi Mining, our wholly-owned subsidiary, who has over 20 years of experience in mining production (including exploration and extraction process); and (ii) Mr. LI Dingcheng, our executive director, who has over 24 years of experience in the mineral and geological exploration industry and holds a bachelor's degree in engineering, majoring in geology and mineral resources survey and is a titled senior engineer. For details of the biographical information of Mr. LI Dingcheng and Mr. NIE Zhiqiang, please refer to the prospectus of the Company dated 16 December 2013 (the "Prospectus").

The Estimated Resources and Reserves as of both 30 September 2013 (as disclosed in the Prospectus) and 31 December 2014 (as disclosed in this annual report) were based on the resources and reserves under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (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 2014 were identical.

The Company did not have exploration activities in 2014, and the capital expenditure of the Yongfeng Mine was RMB4.7 million, which mainly represented the capital expenditure of mining road, North #4 platform, and other property, plant and equipment.

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

REVENUE

In 2014, the Group recorded an operating revenue of approximately RMB344.3 million, representing an increase of approximately RMB204.5 million compared to 2013, mainly due to: (i) eight of eleven corporate customers who engaged in real estate and hotel development and signed sales contracts with the Group in 2013, contributed revenue of approximately RMB191.9 million during the year; and (ii) our distribution network increased from 69 distributors as at 31 December 2013 to 100 distributors as of 31 December 2014.

(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:

	2014			2013		
		Approximate percentage	*Gross profit margin*		*Approximate percentage*	*Gross profit margin*
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*
Marble blocks	**38,950**	**11.3**	**88.0**	37,555	26.9	85.1
One-side-polished slabs	**70,682**	**20.5**	**55.7**	77,963	55.8	51.7
Cut-to-size slabs	**234,707**	**68.2**	**61.0**	24,257	17.3	45.2
Total	**344,339**	**100.0**	**63.0**	139,775	100.0	59.5

(b) Sales Volume and Average Selling Price

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

	2014	2013
Sales volume		
Marble blocks (m^3)	**7,365**	6,570
One-side-polished slabs (m^2)	**315,883**	356,383
Cut-to-size slabs (m^2)	**576,286**	78,579
Average selling price		
Marble blocks (RMB/m^3)	**5,288.5**	5,716.1
One-side-polished slabs (RMB/m^2)	**223.8**	218.8
Cut-to-size slabs (RMB/m^2)	**407.3**	308.7

The unit selling price of marble blocks decreased approximately 7.5% compared to 2013. Along with further consolidation and expansion of sales channels, products of different shape and size are popular to customers (including the marble blocks with a shape and size smaller than regular ones). In order to satisfy the market demand, the Group set more competitive selling price according to the corresponding shape and size, and selling price decreased as a result.

The unit selling price of one-side-polished slabs increased approximately 2.3% compared to 2013. The marble products of the Group are compatible with the international well-known brands and have upside potential, the price is expected to be gradually raised.

The unit selling price of cut-to-size slabs increased approximately 31.9% compared to 2013. The main reason is the increased contribution from corporate customers.

(c) **Sales by Sales Channels**

The following table sets out the domestic revenue by sales channels:

	2014 *RMB'000*	*Approximate percentage*	2013 *RMB'000*	*Approximate percentage*
Sales to distributors	**45,094**	**14.0%**	50,199	37.2%
Direct sales	**276,445**	**86.0%**	84,752	62.8%
	321,539	**100.0%**	134,951	100.0%

Since 2013, the Group enhanced the development of its direct sales channels in order to further promote the brand image and to build it as an iconic and premium trademark. Such enhancement has also served to establish and broaden the base for a fast and stable growth in sales revenue and profits. The results in 2014 were fruitful and outstanding. The share which direct sales accounted for domestic revenue increased by 23.2% compared to that of 2013.

COST OF SALES

The Group's cost of sales amounted to approximately RMB127.5 million, including, processing costs, which represented approximately 51.3% of the cost of sales; marble blocks mining costs, which represented approximately 34.7% of the cost of sales; transportation costs, which represented approximately 9.5% of the cost of sales, and other costs, which represented approximately 4.5% of the cost of sales. The increase in cost of sales in 2014 was in line with the increases in sales and production capacity.

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 polish one-side polished slabs into cut-to-size slabs. The processing fees per unit of one-side-polished slabs in 2014 were approximately RMB61.0, compared to the processing fees of approximately RMB64.0 in 2013. The further processing fees per unit of cut-to-size slabs were approximately RMB25.0, compared to the processing fees of approximately RMB34.0 in 2013. The processing fees per unit of both one-side polished slabs and cut-to-size slabs decreased in 2014, mainly due to a substantial increase in processing volume, which in turn resulted in the significantly increased bargaining power of the Group with the processors.

Marble blocks mining costs

In 2014, 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. Benefiting from the economies of scale from mining and the strengthened control of costs by the Group, the marble blocks mining costs per unit decreased by approximately 25.3% compared to 2013.

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 our production and processing plan. Transportation costs accounted for approximately 9.5% and 10.4% of the production costs for 2014 and 2013 respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group in 2014 increased by approximately RMB133.6 million as compared to 2013. The gross profit margin in 2014 was approximately 63.0%, while the gross profit margin in 2013 was approximately 59.5%. The significant increase in the gross profit margin was mainly attributed to the combined effect of the improved quality of the Group's products, the decrease in product costs per unit and the increasing proportion of cut-to-size slabs with higher gross profit margin.

OTHER INCOME AND GAINS

Other income and gains mainly included interest income from bank deposits and government grants. Interest income amounted to approximately RMB17.4 million and government grants amounted to approximately RMB2.3 million in 2014.

OTHER EXPENSES

Other expenses mainly included foreign exchange loss, write off of payments in advance in respect of software, bank charges and donation to local charity. In 2014, foreign exchange loss amounted to approximately RMB3.4 million, write off of payments in advance in respect of software amounted to approximately RMB2.8 million, bank charges amounted to approximately RMB0.6 million and donation to local charity amounted to approximately RMB0.5 million.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses, mainly comprised of salaries of the Group's sales and distribution staff, travelling expenses, advertising costs and office rents, were approximately RMB27.5 million, representing approximately 8.0% of the revenue of 2014, while the selling and distribution expenses of approximately RMB24.5 million in 2013 accounted for approximately 17.5% of the revenue of 2013. The selling and distribution expenses in 2014 were similar to 2013, while the accounted percentage of the revenue decreased significantly. On the one hand, the enhancement and development of sales channels resulted in significant increase in revenue, leading to the decreased proportion of sales revenue. On the other hand, the Group has established a good brand upon continuing investment in advertising and good quality. The advertisement and promotion input for the year was RMB2.6 million. Meanwhile, the Group continued to make efforts on expense control and strived to exercise the maximum economic effect, also resulting in the decreased expense.

ADMINISTRATIVE EXPENSES

Administrative expenses, mainly comprised of salaries of administrative staff, consultation fees of advisors, amortization of share option scheme and mineral resources compensation fee, were RMB43.0 million, accounting for approximately 12.5% of the revenue of 2014. The administrative expenses were approximately RMB45.6 million in 2013, accounting for approximately 32.6% of the revenue of 2013.

FINANCE COSTS

Finance costs mainly included interests on bank loans, interests on bills receivable discounted, interest on deferred payment from the acquisition of mining rights and related interests of rehabilitation. Finance costs amounted to 13.7 million and increased by approximately RMB9.2 million compared to 2013. The increase was mainly attributable to: (i) interests on bank loans increased by RMB4.7 million as a result of average bank loans balance; (ii) interest on bill receivables discounted increased by RMB4.8 million.

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 2014, the total amount of full-time employees of the Group was 344 (31 December 2013: 368). Employee costs (including the Directors' remunerations) totally amounted to approximately RMB50.9 million for 2014 (2013: approximately RMB28.7 million). Taking into account the strategic goal of the Group, operating results, efforts and contributions made by each of our executive Directors, senior management and employees, and for the purposes of recognizing their value, motivating for better performance and skills, maintaining the Company's fast-growing development and achieving its long and short-term goals, the remunerations are in line with the market performance and their qualifications and abilities, and makes adjustment according to varied percentage. Accordingly, the staff costs had a significant increase in 2014. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in a defined central pension scheme managed by the relevant local government authorities in Xiamen and Yongfeng 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 2014, the contributions of approximately RMB3.0 million (2013: approximately RMB2.4 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 increased from approximately RMB12.7 million in 2013 to approximately RMB41.9 million in 2014, mainly due to the taxable profits generated by the Group's subsidiaries in Mainland China.

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

Net profits attributable to owners of the Company during 2014 amounted to approximately RMB102.3 million, compared to the net loss of approximately RMB0.4 million in 2013. The significantly increased net profits were in line with the increase of revenue in 2014.

NET CASH FLOWS FROM OPERATING ACTIVITIES

Net cash inflows generated from operating activities for 2014 were approximately RMB133.6 million (2013: net inflow of approximately RMB14.4 million), primarily due to: (i) a profit before tax of approximately RMB144.2 million; (ii) an increase in trade payables and bills payables of approximately RMB107.5 million. Net cash inflows from operating activities were partially offset by: (i) trade receivables increased by approximately RMB46.1 million; (ii) prepayments, deposits and other receivables increased by approximately RMB25.3 million; and (iii) inventories increased by approximately RMB8.9 million.

NET CASH FLOWS USED IN INVESTING ACTIVITIES

Net cash flows used in investing activities in 2014 were approximately RMB746.3 million (2013: approximately RMB175.4 million), which primarily included: (i) payment for time deposits with a term of over three months of RMB685.0 million, in order to improve capital efficiency; (ii) pledged time deposit increased by approximately RMB36.0 million; (iii) prepaid land lease payment amounted to approximately RMB10.6 million; (iv) the payment of purchase of property, plant and equipment amounted to RMB9.6 million; and (v) the payment of installment for the acquisition of mining right with an amount of approximately RMB9.3 million.

NET CASH FLOWS FROM FINANCING ACTIVITIES

Net cash inflows generated from financing activities in 2014 were approximately RMB11.0 million (2013: net inflow of approximately RMB718.7 million). During the year, the Group borrowed bank loans of RMB194.9 million and repaid bank loans of RMB183.9 million.

INVENTORIES AND TURNOVER DAYS

The Group's inventories increased by approximately 14.6%, from approximately RMB61.0 million as at 31 December 2013 to approximately RMB69.9 million as at 31 December 2014. It was primarily due to an increase in stock of marble block. The inventory turnover days decreased from 217 in 2013 to 187 in 2014. Such improvement in inventory turnover days was the result of the Group's effort in production planning to maintain a relatively rational inventory level.

TRADE RECEIVABLES AND TURNOVER DAYS

The Group's trade receivables increased from approximately RMB15.7 million as at 31 December 2013 to approximately RMB61.8 million as at 31 December 2014. The increase was primarily due to a significant increase in revenue, and the grant of credit terms to certain new customers. Compared to 20 days in 2013, the trade receivables turnover days in 2014 were 33 days. The increase in trade receivables turnover days was primarily due to the grant of credit period ranging from one to nine months to our major customers.

TRADE AND BILLS PAYABLES

The Group's trade and bills payables increased from approximately RMB23.0 million as at 31 December 2013 by approximately RMB107.5 million to approximately RMB130.5 million as at 31 December 2014, which was primarily due to issuing bills of RMB80.0 million to settle intra-group transactions in 2014.

NET CURRENT ASSETS

Net current assets of the Group increased from approximately RMB759.8 million as at 31 December 2013 by 10.8% to approximately RMB842.0 million as at 31 December 2014, which was primarily due to the net profit realised in 2014.

CURRENT RATIO

The current ratio, being current assets over current liabilities, was 3.5 as at 31 December 2014 (31 December 2013: 4.6). The current ratio decreased primarily due to increases in trade and bills payables and bank loans.

BORROWINGS

The Group generally finances its operations with internally generated cash flows and banking credit facilities. As at 31 December 2014, the Group had total bank loans of RMB125.9 million (31 December 2013: RMB114.9 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 2014 and 31 December 2013, the Group's cash and bank balances exceeded the interest bearing bank loans, respectively. As such, no gearing ratios as at 31 December 2014 and 31 December 2013 are presented.

CAPITAL EXPENDITURE

The Group's ability to maintain and increase its sales and profits depends upon continued capital spending. Capital expenditures are used to purchase mining rights, land, property, plant and equipment. In 2014, the Group's expenditure for: (i) purchase of property, plant and equipment aggregated to approximately RMB9.6 million; (ii) for the installment of acquisition of mining right aggregated approximately RMB9.3 million; and (iii) prepaid land lease payments aggregated approximately RMB10.6 million.

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are located in Mainland China and most of the transactions were denominated in RMB, except for an amount due to the certain cash at banks are denominated in HK$ and US$. As such, the Group has limited exposure to any significant foreign currency exchange risks. The Board 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 2014, the Group's deposit of the issued bank acceptance was RMB36.0 million. As at 31 December 2013, the Group secured marble blocks of approximately RMB11.3 million for the bank loans granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2014, the Group had capital commitments of approximately RMB10.4 million for acquisition of property, plant and equipment and intangible assets, which were contracted but not provided for. As at 31 December 2013, the capital commitment of the Group was RMB20.0 million. As at 31 December 2014, the Group had no material contingent liabilities.

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

The net proceeds from the Company's listing and issue of new shares of the Company (the "Shares") amounted to approximately HK$833.0 million (equivalent to approximately RMB655.5 million). The net proceeds will be applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the Prospectus. During 2014, the utilized net proceeds were approximately RMB29.8 million (details as follow) and the remaining proceeds as at 31 December 2014 were approximately RMB625.7 million and they were deposited with licensed banks as time deposits in Mainland China and Hong Kong respectively.

	Remaining as at 31 December 2014 RMB million	Utilised for the year RMB million
Working capital and other general corporate purposes	56.4	9.2
Expansion of sales channels	63.0	2.6
Capital expenditure of Yongfeng Mine	257.4	4.7
Construction of slab processing facilities	183.3	13.3
Acquisition of marble resources	65.6	—
Total	625.7	29.8

MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER

For the year ended 31 December 2014, the Group did not carry out any major acquisition and disposal of assets and merger during the year.

The Board consists of eight directors (the "Directors"), including four executive Directors, one non-executive Director, and three independent non-executive Directors. The table below sets forth information regarding our Board.

Name	Age	Management Position
Mr. LIU Chuanjia	37	Executive Director and Chairman
Mr. WU Wenzhen (吳文珍)	48	Executive Director and Chief Executive Officer
Mr. LI Dingcheng (李定成)	52	Executive Director
Mr. HAN Yingfeng (韓英峰)	44	Executive Director
Mr. WU Yun (吳雲)	35	Non-executive Director
Mr. LIU Jianhua (劉建華)	50	Independent non-executive Director
Mr. WANG Hengzhong (王恒忠)	46	Independent non-executive Director
Mr. JIN Sheng (金勝)	54	Independent non-executive Director

EXECUTIVE DIRECTORS

Mr. LIU Chuanjia, aged 37, became the founder of our Group in 2011 and is currently an executive Director and Chairman of the Board of our Group ("Chairman"). Mr. Liu is also the chairman of the nomination committee and a member of remuneration committee of the Company. Mr. Liu has over 13 years of experience in the stone trading industry and over seven years of experience in the stone sculpting industry. Since 2011, Mr. Liu has been mainly responsible for our Group's strategic planning and overall operation, including mining, sales and productivity expansion, reviewing and analyzing mineral exploration reports and feasibility reports, procuring mining, equipment and recruiting geology and mining experts. From 1992 to 1998, Mr. Liu worked as stone designer and sculptor at Hui'an Hailong Stone Carving Factory and Fujian Tengfei Ancient Architecture Landscape Co., Ltd., mainly responsible for design and carving of stone into sculpture. From 1999 to 2004, Mr. Liu operated the import and export of marble and granite jointly with Xiamen Sharing Metals & Minerals Import and Export Co., Ltd., and was mainly responsible for liaising with customers in Japan, Germany and the United States and collecting information on domestic stones. Mr. Liu was the executive director and general manager of Xiamen Zhonglianfa Import and Export Co., Ltd. from December 2004 to August 2012. During his tenure in Xiamen Zhonglianfa Import and Export Co., Ltd., Mr. Liu visited the mines and explored the stone industry in Japan, South Africa and Brazil and exported stone products including marbles to the United States, Canada, Turkey, Japan and South Korea. In 2008, Mr. Liu was elected as a permanent member of the second session of the Youth Committee of the Fujian Federation of Returned Overseas Chinese. In 2009, he was elected as the deputy chairman of the third session of the Youth Committee of the Fujian Federation of Returned Overseas Chinese. In 2012, Mr. Liu was the permanent member of the first session of the Fujian Federation of Overseas Chinese Entrepreneurs and a standing member of the third session of the council of Fujian Stone Industry Association. Since April 2013, he has been attending the executive leadership programme on management of small-to-medium enterprises organized by the Ministry of Industry and Information Technology at School of Management of Xiamen University. As of the date of this annual report, save as disclosed above, Mr. Liu did not hold directorship in any listed public companies in the past three years. Mr. Liu is interested in the entire issued share capital of Liu Investment Development Holdings Group Limited ("Liu's Group"), the substantial shareholder of the Company ("Shareholder(s)"). Mr. Liu is therefore deemed to be interested in the 678,127,548 Shares held by Liu's Group for the purpose of Part XV of the Securities and Futures Ordinance (the "SFO").

Mr. WU Wenzhen (吳文珍), aged 48, joined the Group on 16 October 2014 and is currently an executive Director and chief executive officer of the Company ("Chief Executive Officer"). He is also the president of one of our subsidiaries. Prior to joining the Company, Mr. Wu has over 29 years of working and management experience and successively held the positions of officer, member and standing member of Guangze County Committee of Fujian Provincial Communist Youth League (共青團福建省光澤縣委) from 1985 to November 1990, and staff member, deputy section chief, section chief, deputy division chief, division chief, and head of sub-branch of Industrial and Commercial Bank of China Limited, Xiamen Branch from November 1990 to May 2014. Mr. Wu graduated from the party and political theory program for cadres (黨政理論幹部專修班) at the Philosophy Department of Xiamen University in July 1990 and from the foreign-related economy management correspondence course at the Party School of the Central Committee of the Communist Party of China in December 1997, and has been studying the executive master of business administration (EMBA) course at the School of Management of Xiamen University since 2010. Mr. Wu obtained the senior political worker (高級政工師) qualification in August 2003. As of the date of this annual report, save as disclosed above, Mr. Wu did not hold directorship in any listed public companies in the past three years.

Mr. LI Dingcheng (李定成), aged 52, is currently an executive Director and the manager of geology, production and environmental safety of our Group. He joined our Group on 2 March 2012 and is mainly responsible for overseeing production safety in the Yongfeng Mine, compiling mining geological studies and evaluating mining policies. Mr. Li has over 25 years of experience in the mineral and geological exploration industry, with a particular focus on mine safety evaluation and management, based on his site visits of various mines, and understanding and analysis of the exploration and extraction process. Mine safety and environmental evaluation is an indispensable process for mine exploration and extraction and requires a concrete and substantial understanding of the techniques and procedures of mine exploration and extraction. Prior to joining our Company, from 1985 to 2000, Mr. Li had worked as an assistant engineer, engineer, senior engineer and the project leader of Geological Engineering Investigation Institute of National Building Materials Bureau, where he was responsible for the inspection, exploration planning and evaluation of various mineral resources including marbles and granite, the environmental impact evaluation on mines and cement factory construction projects, including a detailed review and analysis on marble mines and writing a report named The Manual on Chinese National Marble and Granite Decorative Stone Resources Distribution and Forecast Atlas. From February 2003 to June 2006, Mr. Li was the technical manager of the Environmental Impact and Safety Evaluation Centre of the Sino-African Geological Engineering Exploration Research Institute, where he was responsible for conducting safety assessment for outdoor and underground mining sites, including the review and assessment of mining exploration and extraction processes. For the evaluation of safety and the environmental impact of each mine, Mr. Li generally had to spend a period spanning from three to twelve months conducting site visits at the relevant mine, where he would study the characteristics of the mine and analyze the workflow of the exploration and extraction processes before devising a technical mining exploration and extraction proposal in compliance with the relevant laws and regulations. From August 2006 to December 2008, Mr. Li was a project manager at the Environmental Impact Evaluation Centre of China Research Academy of Environmental Sciences, where he was responsible for matters relating to environmental impact evaluation and planning of mines, which covered an analysis of the daily operation of mines and how the mining exploration and extraction process impacts on the environment. In carrying out such analysis, Mr. Li conducted site visits at the mines to inspect the characteristics of the mines, studied the workflow of the exploration and extraction processes, designed proposals to implement mining exploration and extraction activities in compliance with the relevant laws and regulations. From December 2008 and February 2010, he was the chief engineer and technical leader of the environmental impact assessment department and the person-in-charge of the safety assessment department in Beijing Zhong'an Quality Assessment Center, where he was responsible for the environmental evaluation of mines, which covered an analysis of the daily operation of mines and how the mining exploration and extraction process impacts on the surrounding environment. From February 2010 to February 2012, Mr. Li worked as the chief engineer, the technical director of No. 2 evaluation department and the manager of the projects department in Century Safety Technology Co., Ltd (Beijing), where he was responsible for the safety evaluation of marble and granite quarries, which entailed a detailed review and analysis of the marble and granite exploration and extraction process. In carrying out such review and analysis, Mr. Li conducted site visits at the marble and granite mines to inspect the characteristics of the mines, and monitored the workflow of the exploration and extraction processes. Mr. Li graduated from Chengdu College of Geology (currently known as Chengdu University of Technology) with a bachelor's degree in engineering in July 1985, majoring in geology and mineral resources survey. Mr. Li was awarded the title of senior engineer in 1998. He is currently a certified safety engineer in the PRC. Mr. Li also has substantial achievement in stone theoretical research. Mr. Li received several awards on the research of stone theory. The project named PRC Natural Marble, Granite Resources and Research, which was led by Mr. Li, was awarded the second prize of 1992 yearly scientific and technological progress issued by China Construction Materials and Geological Prospecting Center. He also published the article named PRC Natural Marble, Decorative Granite Stone Resources Forecast and Analysis during the Third National Youth Geologists Symposium. As of the date of this annual report, save as disclosed above, Mr. Li did not hold directorship in any listed public companies in the past three years.

Mr. HAN Yingfeng (韓英峰), aged 44, is currently an executive Director and general manager of the Company's production department, responsible for management and administration of the Group's processing and production business. Mr. Han joined our Group in June 2012, and has over 21 years of experience in sales and management. Prior to joining our Group, Mr. Han had been the general manager of Xiamen Yinhuo Culture Communication Limited (廈門市瑩火文化傳播有限公司) from December 2006 to May 2012. He had also worked as a manager and a deputy general manager of Xiamen Xinxiecheng Trading Limited (廈門新協成經貿有限公司) between June 1996 and October 2006, and was an assistant engineer of Xiamen Hualian Light Industrial Limited (廈門華聯輕工實業有限公司) in 1994. Mr. Han completed his undergraduate study in June 1992 in Xiamen Fisheries College (廈門水產學院) (now known as Fisheries College of Jimei University (集美大學水產學院) majoring in mechanical manufacturing technology and equipment. As of the date of this annual report, save as disclosed above, Mr. Han did not hold directorship in any listed public companies in the past three years. Mr. Han was interested in 2,000,001 underlying shares of the Company within the meaning of Part XV of the SFO by virtue of his interest in the Pre-IPO share options granted to him under the Pre-IPO share option scheme of the Company adopted on 9 December 2013, representing 0.15% of the existing issued share capital of the Company.

NON-EXECUTIVE DIRECTOR

Mr. WU Yun (吳雲), aged 35, was appointed as a non-executive Director in July 2012. Mr. Wu has over 11 years of experience in audit, equity research and investment. From August 2002 to July 2003, Mr. Wu was an auditor at the Beijing office of KPMG, where he was primarily responsible for auditing the financial statements of listed companies. From January 2004 to April 2005, he was an analyst at China International Capital Corporation, where he was primarily responsible for conducting research on China's insurance and banking industries. From April 2005 to August 2006, Mr. Wu was a research analyst of BNP Paribas Equities (Asia) Limited Beijing Representative Office, where he was primarily responsible for conducting research on China's energy and metals industries. In January 2007, Mr. Wu joined Carlyle Investment Consulting (Shanghai) Co., Ltd. (Beijing Branch) and is now providing advice on growth capital investment in Asia as a director. Since May 2010, Mr. Wu has been a director of Jiangsu Rainbow Heavy Industries Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 2483). Mr. Wu graduated from University of International Business and Economics with a bachelor's degree in economics in July 2002. As of the date of this annual report, save as disclosed above, Mr. Wu did not hold directorship in any listed public companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Jianhua (劉建華), aged 50, was appointed as an independent non-executive Director on 9 December 2013. Mr. Liu is also a member of the audit committee and the nomination committee of the Company. Mr. Liu has over 18 years of experience in managing construction projects involving glass and stones. From 1985 to 1990, Mr. Liu was an assistant engineer and subsequently an engineer of National Building Material Bureau Technology Information Institute. From 1990 to 2006, he was the vice secretary-general, secretary-general and vice president of China Architectural and Industrial Glass Association, respectively. Since 2006, Mr. Liu has served as the vice president of China Stone Material Association. Since 2010, he has been an independent non-executive director of Zhuzhou Kibing Group Stock Co., Ltd., a company listed on the main board of Shanghai Stock Exchange (stock code: 601636). Mr. Liu graduated from East China University of Science and Technology with a bachelor's degree in engineering in July 1985. He obtained the qualification of senior engineer from SASAC in October 2009. As of the date of this annual report, save as disclosed above, Mr. Liu did not hold directorship in any listed public companies in the past three years.

Mr. WANG Hengzhong (王恒忠), aged 46, was appointed as an independent non-executive Director on 9 December 2013. Mr. Wang is also the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Wang has over 15 years of experience in auditing and accounting. Mr. Wang is currently a partner of the auditing department of the Grant Thornton Group. From August 1998 to December 2007, Mr. Wang was the chief accountant of Shanghai Jiahua Accountancy Co., Ltd. From December 2007 to September 2009, he was the legal representative of Shanghai Junfu Pan Chen Zhang Jiahua Accountancy Co., Ltd. (a company formed from the merger of Shanghai Pan Chen Zhang Joint Accounting Firm and Shanghai Jiahua Accountancy Co., Ltd.). From September 2009 to July 2012, he was a partner of Jingdu Tianhua Accountancy Co., Ltd. (Shanghai Branch), as a result of the partnership between Shanghai Junfu Pan Chen Zhang Jiahua Accountancy Co., Ltd. and Jingdu Tianhua Accountancy Co., Ltd. In December 2011, Jingdu Tianhua Accountancy Co., Ltd. (Shanghai Branch) was reorganized and the Shanghai branch of Grant Thornton Accounting Firm (a special general partnership) was established. Mr. Wang has been its partner since January 2013. Mr. Wang graduated from Shanghai Institute of Building Materials (currently known as Tongji University) with a junior college diploma in July 1990, majoring in financial accounting. Mr. Wang obtained a master's degree in professional accountancy from the Chinese University of Hong Kong in December 2006. He was also awarded the certificate of qualification for independent directors by the Shanghai Stock Exchange in April 2013. Mr. Wang is currently an executive member of the council in Shanghai Young Entrepreneurs Association, a member of Jiu San Society and a member of Shanghai Jia Ding District Political Consultative Committee. He is a certified public accountant in the PRC and is currently a member of the disciplinary committee of the Association of Certified Public Accountants of Shanghai. As of the date of this annual report, save as disclosed above, Mr. Wang did not hold directorship in any listed public companies in the past three years.

Mr. JIN Sheng (金勝), aged 54, was appointed as an independent non-executive Director on 9 December 2013. Mr. Jin is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Mr. Jin has over 16 years of experience in banking and finance. He was the director and deputy director, respectively, of the credit card business department, director of the credit card business center of Industrial and Commercial Bank of China Xiamen branch from September 1997 to April 2001, vice president of Xiamen Industrial and Commercial Bank of China from June 2001 to April 2007, specialist of Industrial and Commercial Bank of China Co., Ltd. Tianjin Internal Audit Bureau from April 2007 to October 2007, president of Xiamen Industrial and Commercial Bank of China from October 2007 to November 2011 and vice president of Industrial and Commercial Bank of China Fujian branch from November 2011 to May 2012. Since January 2012, Mr. Jin has served as the president of Fengrun Financial Holding Group Ltd. Mr. Jin graduated from Xiamen University with a master's degree in senior management business administration in June 2012. He obtained the qualification of senior accountant from the Industrial and Commercial Bank of China in August 1999. As of the date of this annual report, save as disclosed above, Mr. Jin did not hold directorship in any listed public companies in the past three years.

SENIOR MANAGEMENT

Mr. NIE Zhiqiang (聶志強), aged 47, is currently the vice president of Jueshi Mining in charge of production, responsible for mining plans confirmation, product quality control and product transportation of our Group. Mr. Nie joined our Group on 18 June 2012, and has over 21 years of experience in mining production. Prior to joining our Group, Mr. Nie was responsible for the mining production and management of various companies. He worked in Shanxi Sida Construction Materials Co., Ltd from June 1991 to October 1997, serving as general staff, supervisor of quality control, head of production and person-in-charge of mining operation, respectively, responsible for the quality control and assurance of granite mines and production management, including a detailed analysis of the granite exploration and extraction process. He worked in Shanxi Huajun Stone Enterprise Co., Ltd from November 1997 to November 2000, serving as production manager and mining head, responsible for the production, exploration and extraction management of a mine and a mine processing plant, including marbles and stones. From March 2001 to August 2004, Mr. Nie was the mine and factory manager of Shanxi Evergreen Stone Co., Ltd, responsible for mineral resource management and formulation and execution of granite mining production plans. From March 2005 to June 2009, he was the assistant manager and the mine manager of the mineral resource department of Universal Marble & Granite (Dongguan) Co., Ltd, responsible for mining and management, including the daily management of the marble mining and resources department, evaluating mine acquisition targets by assessing the nature and quality of marble and granite in mines, formulating marble mine exploration plans and proposals to facilitate mining production, organizing and coordinating mining exploration and extraction activities, and organizing training for mining personnel on the technical, safety and environmental protection aspects of marble mines. From February 2010 to June 2012, he served as the vice general manager of Hubei Era Mining Co., Ltd., responsible for overseeing marble mining affairs and the operation of a marble mine processing plant, which covered the marble exploration and extraction process.

Mr. ZHANG Jiyan (張繼燕), aged 43, is currently the deputy manager of the technology and quality research department and the deputy chief of the building preparatory group for the stone processing plant of the Company, where he is responsible for supervising mining and stone processing, as well as identifying processing contractors and coordinating the specific preparatory efforts for building the Company's own stone processing plant. He has almost 20 years of experience in marble processing and quality control and before joining the Company, he worked for various marble processing and trading companies including, among others, Xiamen Yongwen Stone Materials Factory* (廈門市永文石材廠), Baodeli Stone Materials Factory* (廈門市開元區包德力石板材廠), Fujian Shuitou Shijing Yongxing Stone Materials Factory* (福建水頭石井永興石材廠) (now known as Fuji an Quanzhou Huayi Stone Materials Limited* (福建省泉州市華益石材有限公司) and Zhangzhou Riquan Inspection Centre* (漳州日泉檢品中心), a subsidiary of Xiamen Riquan Trading Company* (廈門日泉貿易公司). During which, Mr. Zhang obtained experience in coordinating and guiding exploration and mining, which has enabled him to communicate and work effectively with the senior managers at the mines. He had also been involved in the development of a series of professional guidelines including raw material quality standards and slab quality standards, whereby the quality of the raw materials from mines, which are required at the processing stage, is strictly under control to ensure the best cutting quality from such raw materials for the purpose of an optimal production-sales relationship and a maximized use of stone resources. Mr. Zhang joined the Company in August 2011 when he was involved in the total management, operations and product quality control at the then newly acquired Yongfeng Mine. Subsequently, he acted as a key executive in charge of production and sales coordination and quality control, during which, he equipped with his professional competence in manufacturing processes and technologies and in both the national and the international quality control standards, closely supervised, guided and, on a continuing basis, improved the exploration, extraction and production process of contractors from the perspective of marketability, customer satisfaction and technical application. Mr. Zhang has administered stringent control over the quality of raw materials, semi-finished goods and final products of the Company having regard to market demand and product positioning. At the same time, Mr. Zhang formulates strategies and optimal improvement plans in line with market demand and in doing so, he has produced good results from the coordination efforts in production and sales.

Mr. LU Xuewen (盧學文), aged 48, is currently the manager of the Company's slab processing plant. He joined the Company in March 2014, and is mainly responsible for the supervision and management of stone processing, the selection and coordination of the external processing factories and the preparatory work for the building of the stone processing factory of the Company. He has over 15 years of experience in the marble processing industry and had worked in two marble processing companies prior to joining the Company. Between April 1999 to March 2014, Mr. Lu was the head of the production department of Zhuozhong Marble & Granite Co.* (卓眾石材公司) and the deputy factory director of Best Cheer (Xiamen) Stone Works Co., Ltd. (高時(廈門)石業有限公司), where he was responsible for the production management of the engineering plant of irregular-shaped marble materials and advised and participated in the development and implementation of the mining exploration and exploitation programme from the beginning to the end. Being the manager of the Company's slab processing plant, he provided advice on the development and impleme ntation of the plan of mining exploration and exploitation, communicated with the exploration departments and provided data including design patterns and specifications of marbles in line with the current market demand in order for the raw marbles to be extracted using appropriate methods for subsequent processing.

Ms. AI Qinghua (艾清華), aged 48, is currently our Group's vice president, financial controller and joint company secretary. She is responsible for advising our Group on matters relating to major strategies, financial planning and risk management and the management of financial budget and internal audit. Ms. Ai joined our Group on 14 January 2013, and has over 28 years of experience in financial management. Prior to joining our Company, from July 1985 to August 1988, Ms. Ai was the chief accountant, the deputy general manager and the general manager of the finance department of Henan Zhumadian Industrial Trading Center, where she was responsible for internal audit and financial reporting. Ms. Ai was the chief financial officer of various companies, including Hong Kong Kingboard Chemical Holdings Limited from August 1998 to April 2006, where she was responsible for strategic development and financial affairs, Guangxi Jingdaxing Paper Industrial Co., Ltd. from September 2006 to December 2011, where she was responsible for preparing the company for initial public offering, and Henan Junding Group Co., Ltd. from February 2012 to December 2012, where she was responsible for internal control and cost management. Ms. Ai graduated from Zhongnan University of Economics and Law with a bachelor's degree in laws via distance learning in 1997. Ms. Ai obtained the qualification of National Intermediate Accountant and International Certified Public Accountant in 1997 and 2009, respectively. She attended a course on chief financial officer (Phase II) under the Executive Development Programme at Xiamen University from April 2008 to June 2009. She became a qualified internal control consultant in the PRC in January 2013. Ms. Ai is interested in the 2,666,668 options under the Pre-IPO Share Option Scheme which entitled her to subscribe for 2,666,668 Shares. For details of the said share options, please refer to the Prospectus.

Ms. CHEUNG Yinman (張燕雯), aged 33, is currently our Group's vice president, Board secretary, chief financial officer and chief investment officer. She is responsible for strategic planning, capital operation, merger and acquisition and strategic cooperation and negotiation, and advising on matters relating to investor relations. Ms. Cheung joined our Group on December 2014, and has over 10 years of experience in international capital market and PRC corporate strategies, operation and financial management. Ms. Cheung worked in a top four audit firm (Ernst & Young) and international investment banks (United Bank of Switzerland and BOC International Holdings Limited) successively, where she was responsible for IPO and capital operation business. Prior to joining our Company, Ms. Cheung was the managing director of Beijing Capital Land Limited, where she was responsible for merger and acquisition for capital market, financial and investment and investor relations. She was also the vice president of Great China Properties Holdings Limited, where she was responsible for financial and operation matters. She is a member of Hong Kong Institute of Certified Public Accountants.

Mr. ZHAO Yongtai (趙永泰), aged 44, is currently the general manager of the operating management center of our Group, responsible for the introduction of Amoeba management method and the setting up of regulations. Mr. Zhao joined our Group on 1 April 2011, and has over 20 years of experience in team management. Prior to joining our Company, from July 1996 to February 2006, Mr. Zhao was the senior commissioner of Chunghwa Picture Tubes, Ltd., a TSE listed company (code: 2475), where he was responsible for listing, cash injection, loan syndication, foreign and operation of interest rates hedging analysis, planning adjustment for capital financing, issue of ECB and GDR, cost accounting analysis, investment allowances, internal control system, general accounts computerization and the duty of the Board secretary. Mr. Zhao was the head of financial department of Jiangsu Chunghwa Pictures Tubes (Wujiang) Ltd. (江蘇華映視訊(吳江)有限公司) from February 2006 to September 2006, responsible for the matters relating to shift of investment and financial, accountings and costs. He was also the deputy director and the head of financial department of Xiamen Overseas Chinese Electronics Co., Ltd. (廈門華僑電子股份有限公司), a SSE listed company (code: 600870), from September 2006 to April 2011, where he was involved in private operation and overall planning relating to capital financing.

Mr. CHEN Dijian (陳迪檢), aged 34, is currently the assistant of CEO of our Group, fully responsible for the marketing strategic planning, brand operation and sales management. Mr. Chen joined our Group on 12 January 2015, and has over 11 years of experience in marketing. Prior to joining our Group, from July 2005 to February 2008, Mr. Chen was the local region's manager and the main region's manager of the sales department of Ryowa Ceramics Co., Ltd. (樂華陶瓷有限公司) respectively. From March 2008 to March 2011, he worked as the sales director of MICAWA Ceramics Co., Ltd. (美加華陶瓷有限公司) and was the marketing director of World View Kitchen (Xiamen) Co., Ltd. (好來屋櫥櫃 (廈門) 有限公司) and Fujian Lingyun Stone Co., Ltd (福建省淩雲玉石有限公司) successively from April 2011 to December 2014, fully responsible for marketing management of the two companies. Mr. Chen was graduated from marketing and economics management major of China Three Gorges University at 2005 and was awarded a bachelor degree. Mr. Chen had participated in a variety of marketing courses.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the period from 1 January 2014 to 11 December 2014, except for the deviation from code provision A.2.1 of the CG Code, the Company had complied with the applicable code provisions of the CG Code and with effect from the date of change of Chief Executive Officer on 12 December 2014 (details of which are explained in the relevant paragraph of this corporate governance report), the Company had complied with all the code provisions of the CG Code and throughout the period to the date of this annual report.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards of dealings as set out in the Model Code throughout the year ended 31 December 2014. The Company has also established the written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

The Company was informed by Mr. LIU Chuanjia, the Chairman, an executive Director and the controlling shareholder of the Company, that on 29 January 2015 and 5 March 2015, which dates fall within the blackout period after the year under review, he charged 526,000,000 shares and 152,127,548 shares of the Company respectively held by Liu's Group (a company wholly owned by Mr. Liu) as security for his own loan facilities granted by two independent third parties. Disclosure on the aforesaid creation of security interests over shares held by Liu's Group (the "Relevant Share Charges") were made on 13 February 2015 and 17 March 2015. According to the Model Code, "dealing" includes, among other things, creation of pledge, charge or any other security interest in any securities of the Company. The creation of the Relevant Share Charges was therefore caught under the definition of "dealing" in the shares of the Company for the purpose of the Model Code. Moreover, Mr. Liu did not notify the Board at a Board meeting or notify a Director (otherwise than himself) designated by the Board, in writing before making the Relevant Share Charges, nor did Mr. Liu receive a dated written acknowledgment from the Company as required by Rule B.8 of the Model Code. Hence, the creation of the Relevant Share Charges is not in compliance with Rules A3(a) (i) and B.8 of the Model Code.

After occurrence of the incident, the Company had immediately further reminded its Directors in relation to their obligations not to deal with the securities of the Company during the blackout period and the requirement under Rule B.8 of the Model Code. An independent board committee (the "Committee") comprising three independent non-executive Directors, namely Mr. LIU Jianhua, Mr. WANG Hengzhong and Mr. JIN Sheng, was set up to review this incident and to take remedial actions to further reinforce the Company's internal control to prevent the occurrence of similar events in future. The Committee has recommended that the Company shall (i) conduct regular reviews of internal control on Directors' compliance of the Model Code and (ii) reinforce corporate governance through continuous training for the Directors and staff to avoid occurrence of similar events in the future.

The Company was further informed by Mr. LIU Chuanjia that 152,127,548 shares of the Company held by Liu's Group which were pledged to an independent third party on 5 March 2015 as mentioned herein were released and discharged on 26 March 2015.

BOARD OF DIRECTORS

The Board currently comprises eight members, consisting of four executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors:

Mr. LIU Chuanjia *(Chairman, Chairman of the Nomination Committee and member of the Remuneration Committee)*
Mr. WU Wenzhen *(Chief Executive Officer)*
Mr. LI Dingcheng *(Manager of Geology, Production and Environmental Safety)*
Mr. HAN Yingfeng *(General Manager of Production Department)*

Non-executive Director:

Mr. WU Yun

Independent non-executive Directors:

Mr. LIU Jianhua *(member of the Audit Committee and the Nomination Committee)*
Mr. WANG Hengzhong (*Chairman of the Audit Committee and member of the Remuneration Committee)*
Mr. JIN Sheng *(Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee)*

The biographical information of the Directors are set out on pages 19 to 23 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that 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.

Mr. LIU Chuanjia, being the Chairman of the Board, was also responsible for the strategic planning and overseeing all aspects of the Group's operation as the Chief Executive Officer during the period from 1 January 2014 to 11 December 2014. Mr. LIU Chuanjia as the founder of the Group has extensive experience and knowledge in the business of the Group. The Board believes that his role as being the Chairman and Chief Executive Officer provides the Group with strong and consistent leadership and allows for efficient business planning and decision which is beneficial to the business development of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

However, in order to enhance the Company's corporate governance practices and enable the Company to comply with the code provision A.2.1 of the CG Code, the Company has separated the roles of the Chairman and the Chief Executive Officer by appointing Mr. WU Wenzhen to replace Mr. LIU Chuanjia as the Chief Executive Officer with effect from 12 December 2014. Mr. LIU Chuanjia has resigned as the Chief Executive Officer with effect from the same date but remained as an executive Director and the Chairman of the Board. Details of the change of Chief Executive Officer may be referred to in the announcement published on the websites of the Stock Exchange and the Company on 12 December 2014.

After the change of Chief Executive officer on 12 December 2014, the positions of Chairman and Chief Executive Officer are held by Mr. LIU Chuanjia and Mr. WU Wenzhen respectively. The Chairman provides leadership and is responsible for the overall strategic planning and development of the Group and the effective functioning and leadership of the Board. The Chief Executive Officer is responsible for overall management of the Group's day-to-day operations and directly oversees the strategic relationship department and the international marketing and sales division.

Independent Non-executive Directors

During the year ended 31 December 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is appointed for a specific term of three years pursuant to the terms of the engagement. The appointment can be terminated by either party by giving not less than three months' prior notice in writing to the other and is subject to re-election at the annual general meeting of the Company ("AGM") after his appointment pursuant to the Articles. The term of office of every Director is also subject to retirement by rotation at the AGM at least once every three years pursuant to the Articles.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Directors have timely access to the information of the Company as well as the services and advice from the joint company secretaries and senior management of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to its management team.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction has been supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development and training courses to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate.

Relevant reading materials including directors' manual and legal and regulatory update have been provided to the Directors for their reference and studying. The Directors have participated in the following trainings during the year ended 31 December 2014:

Executive Directors	Types of training
Mr. LIU Chuanjia	C
Mr. WU Wenzhen	C
Mr. LI Dingcheng	C
Mr. HAN Yingfeng	A, C
Non-executive Director	
Mr. WU Yun	C
Independent non-executive Director	
Mr. LIU Jianhua	C
Mr. WANG Hengzhong	C
Mr. JIN Sheng	C

A Attended in-house briefing

B Attended seminar(s) and training(s)

C Read materials relating to directors' duties and responsibilities

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the Chairman and members of each Board committee is set out under "Corporate Information" on pages 4 to 5.

Audit Committee

The Company established the audit committee (the "Audit Committee") on 9 December 2013 with written terms of reference in compliance with the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. LIU Jianhua, Mr. WANG Hengzhong and Mr. JIN Sheng. Mr. WANG Hengzhong has been appointed as the chairman of the Audit Committee.

A whistleblowing policy was established to achieve the highest possible standards of openness and accountability and for employees, customers, suppliers and other stakeholders of the Company to raise concerns of any suspected misconduct or malpractice within the Company. Proper procedures were in place for investigation of any reported cases. The Audit Committee will review the final report and make recommendations to the Board and will review and monitor the effectiveness of this whistleblowing policy from time to time.

During the year under review, the Audit Committee held two meetings, with all members present in person or through telephonic conferencing, to assess the independence of the Company's auditors, review the internal control systems, risk management and the Group's financial results and report for the year ended 31 December 2013 and the Group's interim financial results and report for the six months ended 30 June 2014 before submission to the Board for approval.

The Audit Committee has in conjunction with management of the Company reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2014 and the auditors' report thereon.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

Remuneration Committee

The Company established the remuneration committee (the "Remuneration Committee") on 9 December 2013 with written terms of reference in compliance with the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company, making recommendations to the Board on the remuneration policy and structure for all Directors and senior management and on the establishment of transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee comprises one executive Director, Mr. LIU Chuanjia and two independent non-executive Directors, Mr. WANG Hengzhong and Mr. JIN Sheng. Mr. JIN Sheng has been appointed as the chairman of the Remuneration Committee.

The Remuneration Committee shall report to the Board after each meeting of the Remuneration Committee.

During the year under review, the Remuneration Committee held two meetings, with all members present in person or through telephonic conferencing, to review and make recommendation to the Board on the remuneration of executive Directors and the Chief Executive Officer appointed during the year of 2014 and other related matters.

Nomination Committee

The Company established the nomination committee (the "Nomination Committee") on 9 December 2013 with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the Board structure, size and composition, making recommendations on any changes to the Board to complement the Company's corporate strategy, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

The Nomination Committee comprises one executive Director, Mr. LIU Chuanjia, and two independent non-executive Directors, Mr. JIN Sheng and Mr. LIU Jianhua. Mr. LIU Chuanjia has been appointed as the chairman of the Nomination Committee.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee shall report to the Board after each meeting of the Nomination Committee.

During the year under review, the Nomination Committee held two meetings, with all members present in person or through telephonic conferencing, to make recommendation on the appointment of executive Directors and the Chief Executive Officer appointed during the year of 2014. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meeting of the Company held during the year ended 31 December 2014 is set out in the table below:

	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. LIU Chuanjia	6/6	N/A	2/2	2/2	1/1
Mr. WU Wenzhen (appointed on 12 December 2014)	0/0	N/A	N/A	N/A	0/0
Mr. LI Dingcheng	6/6	N/A	N/A	N/A	0/1
Mr. HAN Yingfeng (appointed on 11 July 2014)	2/2	N/A	N/A	N/A	0/0
Mr. FAN Huiming (resigned on 11 July 2014)	2/4	N/A	N/A	N/A	0/1
Mr. WANG Pingyao (retired on 28 May 2014)	2/2	N/A	N/A	N/A	0/1
Non-executive Director					
Mr. WU Yun	6/6	N/A	N/A	N/A	1/1
Independent non-executive Director					
Mr. LIU Jianhua	6/6	2/2	N/A	2/2	0/1
Mr. WANG Hengzhong	6/6	2/2	2/2	N/A	*1/1
Mr. JIN Sheng	6/6	2/2	2/2	2/2	1/1

* *attendance by delegates*

Apart from the four regular and other Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year ended 31 December 2014.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 52 to 53.

AUDITORS' REMUNERATION

Ernst & Young are appointed as the external auditors of the Company.

During the year ended 31 December 2014, the total fees paid/payable in respect of audit services provided by Ernst & Young were RMB3.13 million. There was no non-audit service fee incurred for the year ended 31 December 2014.

INTERNAL CONTROLS

During the year ended 31 December 2014, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

Ms. JIAO Jie has resigned as a joint company secretary with effect from 30 May 2014 due to her personal pursuit. Following the resignation of Ms. JIAO Jie, Ms. AI Qinghua has been appointed as a joint company secretary to replace Ms. JIAO Jie and act jointly with Ms. CHEUNG Yuet Fan, the existing joint company secretary. Details of this change of joint company secretary can be referred to in the announcement published on the websites of the Stock Exchange and the Company on 3 June 2014.

Ms. AI Qinghua, one of our joint company secretaries, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance, Ms. CHEUNG Yuet Fan of Tricor Services Limited, an external service provider, has been engaged by the Company as its joint company secretary. Its primary contact person at the Company is Ms. AI Qinghua, who is also the vice president and financial controller of our Group.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual Directors. All resolutions put forward at shareholder meetings of the Company will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting of the Company.

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals at General Meetings

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the joint company secretaries of the Company, to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for the attention of the joint company secretaries.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the joint company secretaries will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.

- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum of the Company and its Articles, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries as mentioned above to the following:

Address:	Unit 504A, 5/F, ICBC Tower, 3 Garden Road, Central, Hong Kong (For the attention of the Board of Directors)
Fax:	+ 852 3529 2542
Email:	ir@artgo.cn

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

2014 was the first year which the Company listed in Hong Kong. The Company firmly believes effective communication with shareholders is at utmost important for investor relations and for investors to understand the Group's business performance and strategic plan.

ENHANCING THE MANAGEMENT SYSTEM OF INVESTOR RELATIONS

The Company has been highly emphasized on the management of investor relations since listing, we are dedicating to build up a systematic management system of investor relations step by step. In 2014, the Company further improved and enhanced the core of investor relations via results announcement, disclosure of information and the Company's investment highlights, we have also build up an investor database in order to communicate with mass investors in a more systematic and standardized way.

CONDUCTING MULTIPLE ACTIVITIES FOR INVESTORS

In 2014, the Company enhanced communication with investors through investor briefings, non-deal roadshows, one-on-one meetings, field trips and phone conferences. In the meantime, we arranged management from different operation units to communicate with investors in accordance to the main needs and concerned issues from investors and analysts. Management members, including our Chairman, Chief Executive Officer, Chief Financial Officer, head of mine operation and sales unit, have participated in plenty of the communication activities with the capital market.

HEARING INVESTOR'S SUGGESTIONS BROADLY AND REALIZING DUAL-WAY INTERACTION

With a sincere and modest attitude, we put great emphasize on listening to investors and analysts about their suggestions regarding development strategies of the Company and information disclosure. In every communication with investors, we raise questions initiatively and record the responses from investors. We would reflect the suggestions on the Company's capital market positioning and business management from investors, by the form of written conclusion and phone report, to the management of the Company and the heads of different buiness units, to achieve dual-way interaction, optimize the development strategies of the Company and advance the information disclosure and operation management persistently.

HIGHLIGHTS OF INVESTOR RELATIONS WORK IN 2015

In 2015, we will further boost the transparency of the Company, take the initiative to communicate with external potential investors, enhance the functions of investor relations and optimize the work flow of investor relations, to form an effective and systematic management system of investor relations work, thus construct an effective platform for communication between the Company and the capital market.

In respect of information disclosure, we plan to enhance communication with mass investors by publishing voluntary disclosure announcement and quarterly newsletter to investors. In the meantime, we will also conduct field trip, non-deal roadshow and one-on-one meeting for investors in order to enhance their understanding of the Company.

Investor relations team would also seek potential synergy effect and opportunities for business cooperation with each of the interested party, for instance, our shareholders, agencies, and strategic partners.

Should investors have any enquiries, please email to IR@artgo.cn. Investors could also visit the page of investor relations in the website of the Company (http://www.artgo.cn/en/investment.php), the latest announcement, financial information and press release of the Company are available in the website.

The Directors are pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

REORGANIZATION AND USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law") on 23 September 2011. Pursuant to a reorganization scheme to rationalize the structure of the Group in preparation for the listing of the Shares on the Stock Exchange, the Company became the holding company of subsidiaries now comprising the Group on 7 February 2012.

The net proceeds from the Company's listing and issue of new shares of the Company amounted to approximately HK$833.0 million (equivalent to approximately RMB655.5 million). The net proceeds will be applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the Prospectus. During 2014, the utilized net proceeds were approximately RMB29.8 million (details as follow) and the remaining proceeds as at 31 December 2014 were approximately RMB625.7 million and they were deposited with licensed banks as time deposits in Mainland China and Hong Kong respectively.

	Remaining as at 31 December 2014 RMB million	Utilised for the year RMB million
Working capital and other general corporate purposes	56.4	9.2
Expansion of sales channels	63.0	2.6
Capital expenditure of Yongfeng Mine	257.4	4.7
Construction of slab processing facilities	183.3	13.3
Acquisition of marble resources	65.6	—
Total	625.7	29.8

The Shares were listed on the Main Board of the Stock Exchange on 30 December 2013.

PRINCIPAL ACTIVITIES

The Group is principally engaged in mining, processing, distribution and sales of marble stones. The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 15 to the consolidated financial statements of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated financial statements of this annual report.

DIVIDEND

The Board does not recommend payment of dividend to the ordinary equity holders of the Company for the year ended 31 December 2014 (2013: Nil).

RESERVES

Details of movements in the reserves of the Group for the year ended 31 December 2014 are set out in note 30 to the consolidated financial statements and in the consolidated statement of changes in equity of this annual report, respectively.

As at 31 December 2014, the reserves of the Company available for distribution to Shareholders amounted to approximately RMB866.9 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate sales attributable to the Group's largest and five largest customers were approximately 16.3% and 52.6% of the Group's total sales respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were approximately 21.7% and 62.3% of the Group's total purchases respectively during the year under review.

During the year under review, none of the Directors, their associates or any Shareholders (who to the knowledge of the Directors owned more than 5% of the issued share capital of the Company) had any interest in any of the five largest customers or suppliers of the Group.

BANK AND OTHER BORROWINGS

Particulars of bank loans of the Company and the Group as at 31 December 2014 are set out in note 25 to the consolidated financial statements of this annual report.

DONATIONS

Charitable and other donations made by the Group during the year under review amounted to RMB460,000 (2013: RMB135,000).

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of and reasons for movements in the share capital and share options of the Company during the year under review are set out in notes 28 and 29 to the consolidated financial statements of this annual report, respectively.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the period from 15 June to 31 December 2011 and the years ended 31 December 2012, 2013 and 2014 are set out on page 117 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights over the Shares under the Articles or the laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

DIRECTORS

The Directors during the year are as follows:

Executive Directors

Mr. LIU Chuanjia
Mr. WU Wenzhen (吳文珍) (appointed on 12 December 2014)
Mr. LI Dingcheng (李定成)
Mr. HAN Yingfeng (韓英峰) (appointed on 11 July 2014)
Mr. FAN Huiming (范輝明) (resigned on 11 July 2014)
Mr. WANG Pingyao (王炳堯) (retired on 28 May 2014)

Non-executive Director

Mr. WU Yun (吳雲)

Independent Non-executive Directors

Mr. LIU Jianhua (劉建華)
Mr. WANG Hengzhong (王恒忠)
Mr. JIN Sheng (金勝)

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

Pursuant to article 84 of the Articles, Mr. LI Dingcheng and Mr. LIU Jianhua will retire by rotation as Director at the forthcoming AGM, whereas in accordance with article 83(3) of the Articles, Mr. WU Wenzhen and Mr. HAN Yingfeng, being Directors appointed during the year under review will retire as Directors at the forthcoming AGM.

All the above retiring Directors, being eligible, offer themselves for re-election at the forthcoming AGM.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the 2014 interim report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Details of changes
Mr. LIU Chuanjia	resigned as Chief Executive Officer of the Company on 12 December 2014

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors by reference to the Company's operating results, individual performance and comparable market rates. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

Details of Directors' remuneration are set out in note 8 to the consolidated financial statements of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as the Pre-IPO Share Option Scheme, at no time during the year under review was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The Company adopted a Pre-IPO Share Option Scheme on 9 December 2013. The Pre-IPO Share Option Scheme has become unconditional on the Listing Date and, unless otherwise cancelled or amended, will remain in force for 42 months from that date. The following is a summary of the principal terms of the Pre-IPO Share Option Scheme:

(a) Purpose

The Pre-IPO Share Option Scheme is a share incentive scheme established to reward the full-time employees of the Group of the level of manager or above who, in the sole opinion of the Board, will contribute or have contributed to the Group (the "Pre-IPO SOS Eligible Participants").

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine to the Pre-IPO SOS Eligible Participants at an exercise price set out in paragraph (d) below.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 12,000,006 Shares representing 0.9% of the issued share capital of our Company as at the date of this annual report.

(d) Price of Shares

The exercise price per Share in respect of any particular option granted under the Pre-IPO Share Option Scheme shall be HK$2.39 per Share, equivalent to an approximately 10% discount to the offer price of HK$2.65 per Share.

(e) Time of exercise of option and duration of the Pre-IPO Share Option Scheme

The options granted are exercisable within the period as notified by the Board to each grantee and shall vest in the following manner:

(i) 10% of the Shares that are subject to the option so granted to him/her at any time during the period commencing from the six months of the Listing Date;

(ii) up to 20% of the Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been granted at any time during the period commencing from the 18 months of the Listing Date;

(iii) up to 60% of the Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been granted at any time during the period commencing from the 30 months of the Listing Date; and

(iv) up to 100% of the Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been granted at any time during the period commencing from the 42 months of the Listing Date.

(f) Payment of acceptance of option

Upon acceptance of the option, the grantee shall pay HK$1.00 (or an equivalent amount in RMB) to our Company by way of consideration for the grant.

(g) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of 14 days after the date on which a general offer made to all the holders of Shares becomes or is declared unconditional or the expiry of the period of not later than two business days prior to the proposed general meeting of the Company in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company;

(iii) the date on which a scheme of arrangement of the Company as per the terms of the Pre-IPO Share Option Scheme becomes effective;

(iv) the date of commencement of the winding-up of our Company in accordance with the Companies Law;

(v) the date on which the grantee ceases to be an Eligible Participant for any reason; or

(vi) the date on which the Board shall exercise our Company's right to cancel the option in accordance with the approval with the grantees of the relevant options.

During the year under review, all the options under the Pre-IPO Share Option Scheme that would entitle the holders to subscribe for an aggregate of 16,666,675 Shares have been granted. The following table sets out particulars of the options granted under the Pre-IPO Share Option Scheme and their movements during the year:

	Number of share options						
Category/name of participants	Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2014	Exercise price HK $	Date of grant
Other employees							
In aggregate	16,666,675 (Note 1)	—	—	2,666,668 (Note 2) 2,000,001 (Note 3)	12,000,006	2.39	30 December 2013
Total	16,666,675	—	—	4,666,669	12,000,006		

Note :

(1) The exercise period of the share options granted under the Pre-IPO Share Option Scheme on 30 December 2013 is subject to the Shareholders' approval of any necessary increase in the authorised share capital of the Company in general meeting, and commences after a vesting period of 6 months to 42 months and ends on 30 June 2018, details of which are as follow:-

Exercise period	Exercise price per Share (HK$)	Number of Options
From 30 June 2014 to 30 June 2015	2.39	1,199,998
From 30 June 2015 to 30 June 2016	2.39	1,199,998
From 30 June 2016 to 30 June 2017	2.39	4,800,001
From 30 June 2017 to 30 June 2018	2.39	4,800,009
Total		12,000,006

(2) The 2,666,668 Pre-IPO Share Options which were granted to Ms. JIAO Jie under the Pre-IPO Share Option Scheme were forfeited following her resignation as a joint company secretary of the Company with effect from 30 May 2014.

(3) The 2,000,001 Pre-IPO Share Options which were granted to Mr. ZHANG Min under the Pre-IPO Share Option Scheme were forfeited following his resignation as a vice president (Sales) of the Company on December 2014.

Share Option Scheme

The Company adopted a Share Option Scheme on 9 December 2013. The following is a summary of the principal terms of the Share Option Scheme:

(a) *Purpose of the Share Option Scheme*

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions the Eligible Participants (as referred to in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) *Participants of the Share Option Scheme*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries.

(c) *Total number of Shares available for issue under the Share Option Scheme*

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from its adoption date (i.e. 9 December 2013) (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date.

As at the date of this annual report, there are 133,333,400 options available for grant under the Share Option Scheme, representing 10% of the issued share capital of the Company.

(d) *The maximum entitlement of each Eligible Participant under the Share Option Scheme*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant.

(e) *Price of Shares*

The exercise price of share options under the Share Option Scheme is determinable by the Board, but may not be less than the highest of (i) the Stock Exchange closing price of the Shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a Share.

(f) *Timing for exercising option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

(g) *Payment of acceptance of option*

Upon acceptance of the option, the grantee shall pay HK$1.00 (or an equivalent amount in RMB) to our Company by way of consideration for the grant.

(h) *The basis of determining the exercise price of option*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(i) *Duration of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on its adoption date (i.e. 9 December 2013).

There is no option outstanding, granted, exercised, cancelled and lapsed under the Share Option Scheme during the year ended 31 December 2014.

DISCLOSURE OF INTERESTS

A. Directors' interests and short positions in the securities of the Company and its associated corporations

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) *Long positions in the Shares:*

Name of Director	Capacity	Number of Shares/underlying Shares interested (Note (1))	Approximate percentage of the issued share/ underlying Shares capital of the Company
Mr. LIU Chuanjia	Interest in controlled corporation (Note (2))	678,127,548(L)	50.86%
Mr. HAN Yingfeng	Beneficial Owner (Note (3))	2,000,001(L)	0.15%

(b) *Long positions in the shares of the associated corporation of the Company:*

Name of Director	Capacity	Name of associated corporation	Number of shares interested (Note 1)	Percentage of the issued share capital of the associated corporation
Mr. LIU Chuanjia	Beneficial Owner	Liu's Group	100(L)	100%

Notes:

(1) The letter "L" denotes the person's long position in the Shares/underlying Shares.

(2) Mr. LIU Chuanjia is interested in the entire issued share capital of Liu's Group, our substantial Shareholder. Mr. LIU Chuanjia is therefore deemed to be interested in the Shares held by Liu's Group for the purpose of Part XV of the SFO.

(3) 2,000,001 Shares were the interests in the share options granted to Mr. HAN Yingfeng under the Pre-IPO share option scheme of the Company adopted on 9 December 2013. For further details, please refer to the section headed "Share Option Schemes" above.

B. **Substantial Shareholders' interests or short positions in the securities of the Company**

As at 31 December 2014, the interests or short positions of the substantial Shareholders (other than the interests disclosed above in respect of certain Directors who are also substantial Shareholders) in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register of substantial Shareholders as required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the issued share capital of the Company
Liu's Group	Beneficial Owner	678,127,548(L)	50.86%
China Marble Investment Holdings Limited	Beneficial Owner	321,872,452(L) (Note 2)	24.14%
Carlyle Asia Growth Partners IV, L.P.	Interest in controlled corporation	321,872,452(L) (Note 2)	24.14%
CAGP IV General Partner L.P.	Interest in controlled corporation	321,872,452(L) (Note 2)	24.14%
CAGP IV, Ltd.	Interest in controlled corporation	321,872,452(L) (Note 2)	24.14%
TC Group Cayman Investment Holdings Sub, L.P.	Interest in controlled corporation	321,872,452(L) (Note 2)	24.14%
TC Group Cayman Investment Holdings, L.P.	Interest in controlled corporation	321,872,452(L) (Note 2)	24.14%
Carlyle Holdings II L.P.	Interest in controlled corporation	321,872,452(L) (Note 2)	24.14%
Carlyle Holdings II GP L.L.C.	Interest in controlled corporation	321,872,452(L) (Note 2)	24.14%
The Carlyle Group L.P.	Interest in controlled corporation	321,872,452(L) (Note 2)	24.14%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) As known to the Directors after making reasonable enquiry, as at 31 December 2014, China Marble Investment Holdings Limited was 91.83% owned by Carlyle Asia Growth Partners IV, L.P.. The Carlyle Group L.P. indirectly wholly owned Carlyle Asia Growth Partners IV, L.P. through Carlyle Holdings II GP L.L.C., Carlyle Holdings II L.P., TC Group Cayman Investment Holdings, L.P., TC Group Cayman Investment Holdings Sub, L.P., CAGP IV, Ltd. and CAGP IV General Partner L.P.. Therefore The Carlyle Group L.P., Carlyle Holdings II GP L.L.C., Carlyle Holdings II L.P., TC Group Cayman Investment Holdings, L.P., TC Group Cayman Investment Holdings Sub, L.P., CAGP IV, Ltd., CAGP IV General Partner L.P. and Carlyle Asia Growth Partners IV, L.P. (all being immediate or indirect holding companies of China Marble Investment Holdings Limited) are all deemed to be interested in the Shares held by China Marble Investment Holdings Limited for the purpose of Part XV of the SFO.

MANAGEMENT CONTRACTS

For the year ended 31 December 2014, there is no contract entered into by the Company relating to its management and administration or subsisting during the year under review which is substantial to the entire or any part of the business of the Group.

CONNECTED TRANSACTIONS

So far as the Directors and chief executive are aware, no non-exempt connected transactions or continuing connected transactions were entered into by the Group during the year ended 31 December 2014.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2014 is contained in note 34 to the consolidated financial statements of this annual report. The related party transactions disclosed in note 34 to the consolidated financial statements are connected transactions or continuing connected transactions that were fully exempt from reporting, announcement, independent shareholders' approval and/or annual review pursuant to Rules 14A.76(1), 14A.90, 14A.95 of the Listing Rules. The Company has complied with the applicable requirements under Chapter 14A of the Listing Rules in respect of such continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the year under review, the Company has maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

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

The Shares were first listed on the Main Board of the Stock Exchange on 30 December 2013. During the year under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors has confirmed that he is neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with the Group's business.

NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

Each of the Company, Mr. LIU Chuanjia and Liu's Group being controlling Shareholders, has entered into a non-competition deed with the Company on 9 December 2013 (the "Deed"), details of which has been set out in the Prospectus.

The Company has received an annual confirmation from the controlling Shareholders in respect of their compliance with the non-competition undertakings under the Deed throughout the year of 2014. The independent non-executive Directors have also reviewed the compliance with the non-competition undertakings under the Deed by the controlling Shareholders.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 12 June 2015 to Tuesday, 16 June 2015 (both dates inclusive, 3 business days in total) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2015 annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 11 June 2015.

AUDITORS

Ernst & Young has acted as auditors of the Company and has audited the Company's financial statements for the year ended 31 December 2014. The Company has not changed its external auditors since its listing on 30 December 2013 and up to the date of this annual report. A resolution will be proposed at the forthcoming AGM for the re-appointment of Ernst & Young as the auditors of the Company.

MAJOR SUBSEQUENT EVENTS

Change of Company Name

The English name of the Company has been changed from "ArtGo Mining Holdings Limited" to "ArtGo Holdings Limited" and the Chinese name of the Company has been changed from "雅高礦業控股有限公司" to "雅高控股有限公司".

The stock short name of Shares for trading on the Stock Exchange has been changed from "ARTGO MINING" to "ARTGO HOLDINGS" in English and from "雅高礦業" to "雅高控股" in Chinese with effect from 9:00 a.m. on 2 April 2015.

Details of the change of company name and stock short name and effects of the change of company name can be referred to in the announcement published on the websites of the Stock Exchange and the Company on 30 March 2015.

On behalf of the Board

LIU Chuanjia
Executive Director, Chairman

Hong Kong, 18 March 2015

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To the shareholders of ArtGo Mining Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of ArtGo Mining Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 54 to 116, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

18 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	4	344,339	139,775
Cost of sales		(127,511)	(56,597)
Gross profit		216,828	83,178
Other income and gains	5	19,905	4,298
Selling and distribution expenses		(27,541)	(24,500)
Administrative expenses		(43,018)	(45,564)
Other expenses		(8,259)	(593)
Finance costs	6	(13,698)	(4,501)
PROFIT BEFORE TAX	7	144,217	12,318
Income tax expense	9	(41,885)	(12,720)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR	10	102,332	(402)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic and diluted (RMB cent per Share)	11	8.00	(0.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	48,331	41,051
Prepaid land lease payments	13	12,768	—
Intangible assets	14	77,413	77,206
Prepayments, deposits and other receivables	16	16,225	11,144
Payments in advance	17	2,400	11,168
Deferred tax assets	18	5,801	—
Restricted deposits	19	1,702	1,702
Total non-current assets		164,640	142,271
CURRENT ASSETS			
Inventories	20	69,898	60,973
Trade receivables	21	61,836	15,706
Prepayments, deposits and other receivables	16	40,739	10,545
Due from a related party	22	—	197
Pledged deposits	19	36,000	—
Cash and bank balances	19	966,501	883,235
Total current assets		1,174,974	970,656
CURRENT LIABILITIES			
Trade and bills payables	23	130,470	22,967
Other payables and accruals	24	62,049	66,194
Tax payables		14,513	6,733
Interest-bearing bank loans	25	125,900	114,900
Due to a related party	22	71	71
Total current liabilities		333,003	210,865
NET CURRENT ASSETS		841,971	759,791
TOTAL ASSETS LESS CURRENT LIABILITIES		1,006,611	902,062

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	**3,174**	3,196
Other payables	24	**18,600**	27,900
Deferred income	26	**5,900**	—
Provision for rehabilitation	27	**11,712**	9,906
Total non-current liabilities		**39,386**	41,002
Net assets		**967,225**	861,060
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**10,492**	10,492
Reserves	30	**956,733**	850,568
Total equity		**967,225**	861,060

Liu Chuanjia
Director

Wu Wenzhen
Director

	Issued capital RMB'000 (note 28)	Share premium account RMB'000 (note 30(a))	Statutory surplus reserve RMB'000 (note 30(b))	Safety fund surplus reserve RMB'000 (note 30(c))	Share option reserve RMB'000 (note 29)	Difference arising from acquisition of non-controlling interests RMB'000	Contributed surplus RMB'000 (note 30(d))	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2013	—	—	—	94	—	(19,048)	26,636	(23,637)	(15,955)
Loss and total comprehensive loss for the year	—	—	—	—	—	—	—	(402)	(402)
Issue of new shares	—	231,745	—	—	—	—	—	—	231,745
Capitalisation of share premium account	7,869	(7,869)	—	—	—	—	—	—	—
Issue of new shares	2,623	692,500	—	—	—	—	—	—	695,123
Share issue expenses	—	(49,468)	—	—	—	—	—	—	(49,468)
Transfer from reserves	—	—	1,308	—	—	—	—	(1,308)	—
Establishment for safety fund surplus reserve	—	—	—	488	—	—	—	(488)	—
Equity-settled share option arrangement	—	—	—	—	17	—	—	—	17
At 31 December 2013	10,492	866,908*	1,308*	582*	17*	(19,048)*	26,636*	(25,835)*	861,060
At 1 January 2014	10,492	866,908	1,308	582	17	(19,048)	26,636	(25,835)	861,060
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	102,332	102,332
Transfer from reserves (note 30(b))	—	—	11,377	—	—	—	—	(11,377)	—
Establishment for safety fund surplus reserve (note 30(c))	—	—	—	476	—	—	—	(476)	—
Utilisation of safety fund (note 30(c))	—	—	—	(298)	—	—	—	298	—
Equity-settled share option arrangement (note 29)	—	—	—	—	3,833	—	—	—	3,833
At 31 December 2014	10,492	866,908*	12,685*	760*	3,850*	(19,048)*	26,636*	64,942*	967,225

* These reserve accounts comprise the consolidated reserves of RMB956,733,000 (2013: RMB850,568,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		144,217	12,318
Adjustments for:			
Depreciation of items of property, plant and equipment	12	4,887	3,284
Amortisation of prepaid land lease payments	13	266	—
Amortisation of intangible assets	14	936	757
Loss on disposal of items of property, plant and equipment	7	1	1
Deferred income released to profit or loss	26	(105)	—
Loss on written off payments in advance	7	2,750	—
Equity-settled share option expense	29	3,833	17
Finance costs	6	13,698	4,501
Unrealised foreign exchange gains, net		(5)	(1,873)
Bank interest income	5	(17,418)	(2,138)
		153,060	16,867
Increase in trade receivables		(46,130)	(15,665)
Increase in inventories		(8,925)	(32,838)
increase in prepayments, deposits and other receivables		(25,299)	(11,936)
Increase in trade and bills payables		107,503	19,079
Decrease in an amount due from a related party		197	203
Increase/(decrease) in other payables and accruals		(2,794)	45,111
Cash generated from operations		177,612	20,821
Income tax paid		(39,928)	(5,776)
Interest paid		(11,836)	(1,789)
Interest received		7,708	1,166
Net cash flows from operating activities		133,556	14,422
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(9,580)	(24,917)
Purchase of mining rights		(9,300)	(18,640)
Purchase of software		(513)	(3,496)
Expenditure on exploration and evaluation assets		(1,279)	(170)
Proceeds from disposal of items of property, plant and equipment		1	—
Receipt of a government grant	26	6,005	—
Increase in time deposits with maturity of over three months		(685,000)	(125,500)
Prepaid land lease payments		(10,629)	(2,671)
Increase in restricted deposits		(36,000)	—
Net cash flows used in investing activities		(746,295)	(175,394)

	Note	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		194,900	114,900
Repayment of bank loans		(183,900)	(28,000)
Proceeds from issue of shares		—	695,123
Share issue expenses		—	(49,468)
Increase in an amount due to the ultimate controlling shareholder		—	1,993
Decrease in an amount due to the holding company		—	(15,873)
Net cash flows from financing activities		11,000	718,675
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS		(601,739)	557,703
Cash and cash equivalents at beginning of the year		709,735	153,092
Effect of foreign exchange rate changes, net		5	(1,060)
CASH AND CASH EQUIVALENTS AT END OF YEAR		108,001	709,735
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand and cash at banks		108,001	709,735
Non-pledged time deposits	19	858,500	173,500
Cash and bank balances	19	966,501	883,235
Time deposits with original maturity of over three months	19	(858,500)	(173,500)
Cash and cash equivalents		108,001	709,735

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	851,109	223,383
CURRENT ASSETS			
Prepayments, deposits and other receivables	16	156	—
Due from related parties	22	—	197
Cash at banks	19	428	655,029
Total current assets		584	655,226
CURRENT LIABILITIES			
Other payables and accruals	24	1,592	29,552
Due to subsidiaries	15	18,393	9,221
Due to a related party	22	16	16
Total current liabilities		20,001	38,789
NET CURRENT ASSETS/(LIABILITIES)		(19,417)	616,437
Net assets		831,692	839,820
EQUITY			
Issued capital	28	10,492	10,492
Reserves	30	821,200	829,328
Total equity		831,692	839,820

Liu Chuanjia
Director

Wu Wenzhen
Director

1. CORPORATE INFORMATION

ArtGo Mining 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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is located at Level 54, Hopewell Centre, 183 Queen's Road East, 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 and sale of marble stones. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, Liu Investment Development Holdings Group Limited ("Liu's Group"), a company incorporated in the British Virgin Islands ("BVI"), is the holding company of the Company and Mr. Liu Chuanjia ("Mr. Liu") is the ultimate controlling shareholder of the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB") and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for the Part 9 of the Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in section 76 to 87 of Schedule 11 to that Ordinance. The financial statements 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION – *continued*

Basis of consolidation – *continued*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]

1 Effective from 1 July 2014

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

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28 (Revised)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (Revised)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED – *continued*

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Business combinations and goodwill – *continued*

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Merger accounting for business combination under common control

The combining entities or businesses over which the common control exists are consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Related parties – *continued*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives and the principal annual rates of items of property, plant and equipment are as follows:

	Useful lives	Principal annual rates
Buildings	3-5 years	19%-32%
Plant and machinery	5-10 years	10%-19%
Office equipment	5 years	19%
Motor vehicles	7-10 years	10%-14%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment and depreciation – *continued*

Depreciation of mining infrastructure is calculated using the unit-of-production ("UOP") method to write off the cost of the assets proportionate to the extraction of the proved and probable mineral reserves. The estimated useful life of the mining infrastructure is 30 years, which is determined in accordance with the production plans of the entities concerned and the proved and probable reserves of mines using the UOP method.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Stripping activity asset

Stripping activity asset shall be recognised if, and only if, all of the following are met: (a) it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the Group; (b) the Group can identify the component of the ore body for which access has been improved; and (c) the costs relating to the stripping activity associated with that component can be measured reliably.

When the costs of the stripping activity asset and the inventory produced are not separately identifiable, the Group shall allocate the production stripping costs between the inventory produced and the stripping activity asset by using an allocation basis that is based on quantities of waste removed in the stripping activity and inventory production.

The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortisation and any impairment losses, and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets – *continued*

Exploration rights and assets – continued

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment test is performed if any of the following indicators is present:

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs of disposal and their value in use. For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and depreciated/amortised using the UOP method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in “Other income and gains” in profit or loss. The loss arising from impairment is recognised in profit or loss in “Finance costs” for loans and in “Other expenses” for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of financial assets – *continued*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Other expenses" in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities included trade and other payables, amounts due to related parties and interest-bearing bank loans.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial liabilities – *continued*

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing bank loans are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of fixed and variable overhead costs, including depreciation and amortisation incurred in converting materials into finished goods, based on the normal production capacity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in “Finance costs” in profit or loss.

Provisions for the Group’s obligations for rehabilitation are based on estimates of required expenditure at the mine in accordance with the PRC rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure.

Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within “Finance costs” in profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Income tax – *continued*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised an income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods under "bill and hold" arrangements, where the delivery of goods is delayed at the buyer's request, but the buyer takes title and accepts billing, provided (a) it is probable that delivery will be made; (b) the item is on hand, identified and ready for delivery to the buyer at the time the sales is recognised; (c) the buyer specifically acknowledges the delivery instructions; and (d) the usual payment terms apply;

(b) from the sale of goods not under "bill and hold" arrangements, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Share-based payments – *continued*

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the subsidiaries in Mainland China are required to participate in a defined central pension scheme managed by the local municipal government of the areas in Mainland China in which they operate. These subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund

Contributions to a defined contribution housing fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss as incurred. The Group’s liability in respect of the housing fund is limited to the contribution payable in each period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

(a) Impairment of receivables

Impairment of receivables is estimated based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. There was no impairment provision for receivables during the year.

(b) PRC corporate income tax ("PRC CIT")

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to PRC CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of PRC CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax and tax provision in the period in which the differences realise. The carrying amount of PRC CIT payables as at 31 December 2014 was RMB14,513,000 (2013: RMB6,619,000).

(c) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment as at 31 December 2014 was RMB48,331,000 (2013: RMB41,051,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES – *continued*

Estimation uncertainty – *continued*

(d) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2014 was RMB5,801,000 (2013: Nil). Further details are contained in note 18 to the financial statements.

(e) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the amortisation rate calculated on the UOP method and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

(f) Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate of 6.15% (2013: 6.55%) as at 31 December 2014 reflecting the term and nature of the obligation to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. The carrying amount of provision for rehabilitation as at 31 December 2014 was RMB11,712,000 (2013: RMB9,906,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES – *continued*

Estimation uncertainty – *continued*

(g) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories as at 31 December 2014 was RMB69,898,000 (2013: RMB60,973,000).

4. REVENUE AND OPERATING SEGMENT INFORMATION

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

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

Entity-wide disclosures

Information about products

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

	2014		2013	
	RMB'000	%	RMB'000	%
One-side-polished slabs	70,682	21	77,963	56
Cut-to-size slabs	234,707	68	24,257	17
Marble blocks	38,950	11	37,555	27
	344,339	100	139,775	100

4. REVENUE AND OPERATING SEGMENT INFORMATION

Entity-wide disclosures – *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 customers are determined based on the locations at which the goods were delivered.

	2014 RMB'000	2013 RMB'000
Domestic*:		
Mainland China	321,539	134,951
Overseas	22,800	4,824
	344,339	139,775

* Place of domicile of the Group's principal subsidiaries, Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. ("Jueshi Mining"), Huijin Stone (Xiamen) Co., Ltd. ("Xiamen Huijin Stone") and ArtGo Stone (Jiangxi) Co., Ltd. ("ArtGo Stone").

The Group's principal non-current assets are all 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:

	2014 RMB'000	2013 RMB'000
Customer A	56,082	*
Customer B	50,774	*

* Less than 10% of the total revenue

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2014 RMB'000	2013 RMB'000
Bank interest income	17,418	2,138
Foreign exchange gain, net	—	1,873
Government grants	2,315	—
Deferred income released to profit or loss (note 26)	105	—
Miscellaneous	67	287
Total other income and gains	19,905	4,298

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2014 RMB'000	2013 RMB'000
Interest on bank loans	6,555	1,941
Interest on bills receivable discounted (note 21)	4,774	—
Interest on payables relating to the purchase of mining rights	1,698	1,984
Unwinding of a discount for rehabilitation (note 27)	671	576
	13,698	4,501

7. PROFIT BEFORE TAX

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

	Notes	2014 RMB'000	2013 RMB'000
Cost of inventories sold		127,511	56,597
Employee benefit expense (including directors' and chief executive's remuneration set out in note 8):			
Wages and salaries		41,554	23,696
Equity-settled share option expense	29	3,833	17
Welfare and other benefits		1,620	1,476
Pension scheme contributions			
- Defined contribution fund		2,968	2,414
Housing fund			
- Defined contribution fund		974	1,182
Total employee benefit expense		50,949	28,785
Depreciation of items of property, plant and equipment	12	4,887	3,284
Amortisation of prepaid land lease payments	13	266	—
Amortisation of intangible assets	14	936	757
Depreciation and amortisation expenses		6,089	4,041
Minimum lease payments under operating leases:			
- Office		3,616	1,536
- Warehouses		3,418	2,870
- Parcels of land located at Shangsheng Village	16(a)	819	283
Auditors' remuneration		3,231	1,509
Listing fees expensed off		—	29,494
Foreign exchange loss/(gain), net		3,380	(1,873)
Write-off of payments in advance for software		2,750	—
Loss on disposal of items of property, plant and equipment		1	1
Bank interest income	5	(17,418)	(2,138)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014 RMB'000	2013 RMB'000
Fees	481	—
Other emoluments:		
Salaries, allowances and benefits in kind	3,038	1,010
Equity-settled share option expense	640	—
Pension scheme contributions	45	24
	3,723	1,034
	4,204	1,034

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2014 RMB'000	2013 RMB'000
Mr. Liu Jianhua	147	—
Mr. Wang Hengzhong	187	—
Mr. Jin Sheng	147	—
	481	—

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES – *continued*

(b) Executive directors, a non-executive director and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2014					
Executive directors					
Mr. Liu Chuanjia	—	1,832	2	—	1,834
Mr. Wu Wenzhen(1)	—	63	2	—	65
Mr. Han Yingfeng	—	259	17	640	916
Mr. Li Dingcheng	—	263	22	—	285
Mr. Wang Pinyao(2)	—	115	1	—	116
Mr. Fan Huiming(3)	—	506	1	—	507
	—	3,038	45	640	3,723
Non-executive director					
Mr. Wu Yun(4)	—	—	—	—	—
	—	3,038	45	640	3,723
2013					
Executive directors					
Mr. Liu Chuanjia	—	403	2	—	405
Mr. Li Dingcheng	—	273	19	—	292
Mr. Wang Pingyao	—	136	1	—	137
Mr. Fan Huiming	—	198	2	—	200
	—	1,010	24	—	1,034
Non-executive director					
Mr. Wu Yun(4)	—	—	—	—	—
	—	1,010	24	—	1,034

(1) Mr. Wu Wenzhen was appointed as the chief executive officer of the Company from 12 December 2014.

(2) Mr. Wang Pinyao retired as the Company's executive director on 28 May 2014.

(3) Mr. Fan Huiming resigned as the Company's executive director on 11 July 2014.

(4) Mr. Wu Yun is entitled to a director's fee of HK$1 per annum.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES – *continued*

(c) Five highest paid employees

The five highest paid employees during the year included one director (2013: one director who was also the chief executive), details of whose remuneration are set out in note 8(b) above. Details of the remuneration for the year of the remaining four (2013: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	3,819	1,227
Equity-settled share option expense	2,556	6
Pension scheme contributions	18	43
	6,393	1,276

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
Nil to HK$1,000,000	—	4
HK$1,000,001 to HK$2,000,000	3	—
HK$2,000,001 to HK$3,000,000	1	—
	4	4

9. 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 to PRC CIT at a rate of 25% on the assessable profits generated during the year.

9. INCOME TAX – *continued*

The major components of income tax expense were as follows:

	2014 RMB'000	2013 RMB'000
Current - Mainland China		
Charge for the year	47,708	12,489
Deferred (note 18)	(5,823)	231
	41,885	12,720

A reconciliation of the income tax expense and profit before tax at the applicable tax rate is as follows:

	2014 RMB'000	2013 RMB'000
Profit before tax	144,217	12,318
Add: disallowed expenses incurred by the Company*	11,960	34,637
Profit before tax generated by Hong Kong and PRC subsidiaries	156,177	46,955
Tax at the respective statutory tax rates:		
- Mainland China subsidiaries, at 25%	38,841	10,448
- Hong Kong subsidiary, at 16.5%	134	852
Non-deductible expenses	3,068	211
Deferred tax assets not recognised		
- Deductible temporary differences	—	5,003
- Unused tax losses	—	133
Income not subject to tax	(25)	(997)
Utilised tax losses not recognised in previous years	—	(3,029)
Withholding income tax of 10% on interest paid by a Mainland China subsidiary to a Hong Kong subsidiary	—	99
Tax losses accumulated from previous period	(133)	—
Income tax expense	41,885	12,720

* Expenses incurred by the Company during the year mainly consist of equity-settled share option expense, consultancy service fees and foreign exchange losses incurred by the Company (2013: listing fees and equity-settled share option expense). These expenses are not expected to be tax deductible.

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a loss of RMB11,961,000 (2013: RMB34,637,000) which has been dealt with in the financial statements of the Company (note 30).

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

The calculation of basic earnings per share for the year ended 31 December 2014 is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,333,334,000 (2013: 992,310,587) 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 2014 and 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	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
31 December 2014							
Cost:							
At 1 January 2014	1,015	25,402	3,112	4,073	9,330	3,138	46,070
Additions	217	429	1,945	2,032	1,135	6,411	12,169
Disposals	—	—	(3)	—	—	—	(3)
Transferred	390	—	—	—	3,113	(3,503)	—
At 31 December 2014	1,622	25,831	5,054	6,105	13,578	6,046	58,236
Accumulated depreciation:							
At 1 January 2014	548	3,177	651	581	62	—	5,019
Provided for the year	130	3,301	794	599	63	—	4,887
Disposals	—	—	(1)	—	—	—	(1)
At 31 December 2014	678	6,478	1,444	1,180	125	—	9,905
Net carrying amount:							
At 1 January 2014	467	22,225	2,461	3,492	9,268	3,138	41,051
At 31 December 2014	944	19,353	3,610	4,925	13,453	6,046	48,331

12. PROPERTY, PLANT AND EQUIPMENT – *continued*

Group – *continued*

	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
31 December 2013							
Cost:							
At 1 January 2013	810	11,253	1,294	2,977	176	317	16,827
Additions	205	12,578	1,820	1,096	9,154	4,392	29,245
Transferred	—	—	(2)	—	—	—	(2)
Disposal	—	1,571	—	—	—	(1,571)	—
At 31 December 2013	1,015	25,402	3,112	4,073	9,330	3,138	46,070
Accumulated depreciation:							
At 1 January 2013	255	1,024	155	302	—	—	1,736
Provided for the year	293	2,153	497	279	62	—	3,284
Disposal	—	—	(1)	—	—	—	(1)
At 31 December 2013	548	3,177	651	581	62	—	5,019
Net carrying amount:							
At 1 January 2013	555	10,229	1,139	2,675	176	317	15,091
At 31 December 2013	467	22,225	2,461	3,492	9,268	3,138	41,051

13. PREPAID LAND LEASE PAYMENTS

	RMB'000
Carrying amount as at 1 January 2014	—
Additions	13,300
Amortisation during the year	(266)
Carrying amount at 31 December 2014	13,034
Current portion included in prepayments, deposits and other receivables (note 16)	(266)
Non-current portion	12,768

* Prepaid land lease payments represent costs of a land use right in respect of the Group's leasehold land situated in Yongfeng County, Jiangxi Province, the PRC and held on a medium lease terms.

14. INTANGIBLE ASSETS

Group

	Mining rights RMB'000 note (a)	Exploration and evaluation assets RMB'000	Software RMB'000	Total RMB'000
31 December 2014				
Cost at 1 January 2014, net of accumulated amortisation	77,089	—	117	77,206
Additions			1,143	1,143
Transferred to mining rights			—	—
Amortisation provided during the year	(852)	—	(84)	(936)
At 31 December 2014	76,237	—	1,176	77,413
Analysed as:				
Cost	81,137	—	1,283	82,420
Accumulated amortisation	(4,900)	—	(107)	(5,007)
Net carrying amount	76,237	—	1,176	77,413
31 December 2013				
Cost at 1 January 2013, net of accumulated amortisation	9,056	12,758	24	21,838
Additions	55,840	170	115	56,125
Transferred to mining rights	12,928	(12,928)	—	—
Amortisation provided during the year	(735)	—	(22)	(757)
At 31 December 2013	77,089	—	117	77,206
Analysed as:				
Cost	81,137	—	140	81,277
Accumulated amortisation	(4,048)	—	(23)	(4,071)
Net carrying amount	77,089	—	117	77,206

14. INTANGIBLE ASSETS – *continued*

Group – *continued*

Note:

(a) The mining rights represent the right for the mining of marble reserves in the Yongfeng Mine, which is located in Yongfeng County, Jiangxi Province, the PRC.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 RMB'000	2013 RMB'000
Unlisted investment in ArtGo Investment Limited ("ArtGo BVI"), at cost:*	—	—
Advances to subsidiaries	851,109	223,383
	851,109	223,383

* The cost of the investment in ArtGo BVI is US$1.00.

As at 31 December 2014 and 2013, the amounts due to subsidiaries included in the Company's current liabilities are denominated in RMB, which are unsecured, interest-free and repayable on demand.

As at 31 December 2014 and 2013, the amounts due from subsidiaries are denominated in USD and RMB, which are unsecured and interest-free. In the opinion of the directors, these advances to subsidiaries are not expected to be repaid within 12 months from the end of the reporting period.

15. INVESTMENTS IN SUBSIDIARIES – *continued*

Particulars of the subsidiaries, all of which are private limited liability companies, are as follows:

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Directly held:				
ArtGo BVI	BVI 26 September 2011	US$1	100	Investment holding
Indirectly held:				
ArtGo (HK) Investment Group Limited 雅高(香港)投資集團有限公司 ("ArtGo HK")	Hong Kong 3 October 2011	HK$100	100	Investment holding
Xiamen Huijin Stone 匯金石(廈門)有限公司[1]	PRC/Mainland China 19 October 2011	US$90,000,000	100	Retail and wholesale of decorating materials
Jueshi Mining 江西省玨石(永豐)礦業有限公司[2]	PRC/Mainland China 28 December 2009	RMB60,000,000	100	Mining exploration, processing and sale of marble stones
ArtGo Stone 雅高石材(江西)有限公司[1]	PRC/Mainland China 17 September 2013	US$18,000,000	100	Processing and sale of marble stones; and technical service of stone processing

(1) Xiamen Huijin Stone and ArtGo Stone are registered as wholly-foreign-owned enterprises under PRC law.

(2) Jueshi Mining is registered as a domestic enterprise under PRC law.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	Group 2014 RMB'000	Group 2013 RMB'000
Current portion:			
Prepayments in respect of:			
– Processing fee		706	—
– Office rental		1,588	141
– Warehouse rental		1,641	1,620
– Lease of parcels of land located at Shangsheng Village	(a)	819	819
– Prepaid land lease payments to be amortised within one year (note 13)		266	—
– Purchase of materials and supplies		1,293	2,240
– Purchase of marble slabs	(b)	17,128	—
– Other		165	—
Deposits		3,724	2,338
Interest income receivables		10,743	1,033
Deductible input value-added tax		1,281	711
Other receivables		1,385	1,643
		40,739	10,545
Non-current portion:			
Prepayments in respect of			
– Lease of parcels of land located at Shangsheng Village	(a)	10,325	11,144
– Cultivated land used tax	(c)	5,900	—
		16,225	21,689

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – *continued*

Notes:

(a) The balances represent prepayments made to villagers for the use of parcels of land in Shangsheng Village for mining activities at the Yongfeng Mine. Based on the various agreements entered into among Jueshi Mining, the Shangsheng Village Committee and the villagers during each of the years ended 31 December 2012 and 2013, Jueshi Mining prepaid RMB2,134,000 and RMB10,146,000 in 2012 and 2013, respectively, for the rights to use the said parcels of land for a period of 15 years since the effective dates of the respective lease agreements.

(b) The balance represents prepayments made to independent third parties for purchasing different types of marble slabs.

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

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

Company

As at 31 December 2014, prepayments represented the prepaid professional fees.

17. PAYMENTS IN ADVANCE

	Group	
	2014 RMB'000	2013 RMB'000
In respect of the purchase of:		
Property, plant and equipment	2,400	5,116
Software	—	3,381
Prepaid land lease payments	—	2,671
	2,400	11,168

18. DEFERRED TAX

Group

The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

Deferred tax assets

	Provision for rehabilitation RMB'000	Excess tax depreciation over book value of fixed assets RMB'000	Accrued expenses RMB'000	Unrealised profits from inter-company transaction RMB'000	Total RMB'000
At 1 January 2014	—	—	—	—	—
Deferred tax charged to profit or loss during the year (note 9)	312	61	4,630	798	5,801
At 31 December 2014	312	61	4,630	798	5,801

Deferred tax liabilities

	Fair value adjustment arising from business combination RMB'000	Excess book value of mining rights over tax amortisation RMB'000	Total RMB'000
At 1 January 2014	2,750	446	3,196
Deferred tax charged/(credited) to profit or loss during the year (note 9)	(321)	299	(22)
At 31 December 2014	2,429	745	3,174

18. DEFERRED TAX – *continued*

Group – *continued*

Notes:

(a) Deferred tax assets and liabilities related to the subsidiaries in Mainland China have been provided at the enacted corporate income tax rate of 25%.

(b) Pursuant to the income tax rules and regulations in the PRC, a 10% withholding tax is levied on dividends declared to foreign investors by foreign investment enterprises established in the PRC effective from 1 January 2008.

According to the articles of association of Xiamen Huijin Stone, a principal operating subsidiary in Mainland China, the shareholder of Xiamen Huijin Stone has the ultimate power to decide Xiamen Huijin Stone's dividend policy. Pursuant to the shareholder's resolution issued on 31 January 2015, the net profit of Xiamen Huijin Stone during the year, after appropriation to the statutory reserve fund, would be used for its business development and would not be distributed to its shareholder. As a result, no deferred tax liabilities relating to withholding tax on the distributable profits of Xiamen Huijin Stone for the year have been recorded.

The aggregate amount of unremitted earnings associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB106,043,000 (31 December 2013: RMB5,004,000).

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand and cash at banks	**145,703**	711,437	**428**	655,029
Time deposits with original maturity of:				
– over three months	**858,500**	173,500	**—**	—
	1,004,203	884,937	**428**	655,029
Less:				
Restricted deposits for:				
Environmental rehabilitation deposits	**(1,702)**	(1,702)	**—**	—
Pledged deposits for:				
Bills payable	**(36,000)**	—	**—**	—
	966,501	883,235	**428**	655,029

19. RESTRICTED DEPOSITS, PLEDGED TIME DEPOSITS AND CASH AND BANK BALANCES – *continued*

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,003,906**	229,316	**363**	—
HK$	**113**	655,058	**65**	655,029
US$	**184**	563	**—**	—
	1,004,203	884,937	**428**	655,029

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 six months, 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. INVENTORIES

	Group	
	2014	2013
	RMB'000	RMB'000
Finished goods	62,407	51,997
Work in progress	6,699	8,286
Materials and supplies	792	690
	69,898	60,973

As at 31 December 2013, marble blocks with carrying amount of RMB11,341,000 were pledged as security for the Group's bank loans of RMB49,000,000 (note 25).

21. TRADE RECEIVABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Trade receivables	61,836	15,706
	61,836	15,706

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

	Group	
	2014	2013
	RMB'000	RMB'000
Within 1 month	8,633	10,791
1 to 3 months	6,615	4,758
3 to 6 months	32,080	157
6 to 12 months	13,267	—
Over 1 year	1,241	—
	61,836	15,706

As at 31 December 2014, trade receivables contained retention money receivables of RMB11,559,000 (2013: RMB565,000).

21. TRADE RECEIVABLES – *continued*

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

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.

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

	Group	
	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	59,870	15,549
Past due but not impaired:		
Less than 1 month past due	812	157
Over 1 month and less than 3 months past due	292	—
Over 3 months past due	862	—
	61,836	15,706

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, the Group has recognised interest expense of RMB4,774,000 (2013: Nil) (note 6) on discounted bills issued for intra-group transactions.

22. BALANCES WITH RELATED PARTIES

		Group		Company	
	Note	**2014**	2013	**2014**	2013
		RMB'000	RMB'000	**RMB'000**	RMB'000
Due from a related party:					
Non-trade in nature:					
– Liu's Group		—	197	—	197
Due to a related party:					
Non-trade in nature					
–Mr. Liu	(a)	**71**	71	**16**	16

Note:

(a) As at 31 December 2014, the amounts due to Mr. Liu were denominated in RMB. These balances with Mr. Liu were non-trade, interest-free, unsecured and had no fixed terms of repayment.

23. TRADE AND BILLS PAYABLES

	2014	2013
	RMB'000	RMB'000
Trade payables	**50,470**	22,967
Bills payable	**80,000**	—
	130,470	22,967

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

	Group	
	2014	2013
	RMB'000	RMB'000
Within 1 month	**2,601**	9,146
1 to 2 months	**506**	2,610
2 to 3 months	**123**	1,791
Over 3 months	**127,240**	9,420
	130,470	22,967

23. TRADE AND BILLS PAYABLES – *continued*

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

As at 31 December 2014, the Group's bills payable of RMB40,000,000 and RMB20,000,000 were secured by pledged time deposits of RMB16,000,000 and RMB20,000,000, respectively, and jointly guaranteed by Jueshi Mining, and bills payable of RMB20,000,000 were guaranteed by Jueshi Mining.

As at 31 December 2014, the Group's bills payable of RMB80,000,000 relate to bills issued by the Group's subsidiary and were held by two banks.

24. OTHER PAYABLES AND ACCRUALS

		Group	
	Note	2014 RMB'000	2013 RMB'000
Current portion:			
Advances from customers		28,843	8,618
Payables relating to:			
Exploration and evaluation assets		—	1,279
Purchase of property, plant and equipment		—	1,263
Purchase of mining rights	(a)	9,300	9,300
Payroll and welfare		10,639	7,485
Professional fees		3,864	29,552
Taxes other than income tax		432	2,644
Mineral resources compensation fees		3,136	1,874
Advertisement fees		382	900
Distributors' earnest monies		1,145	790
Interest payables relating to:			
Bank loans		305	214
Purchase of mining rights	(a)	3,084	1,984
Others		919	291
		62,049	66,194
Non-current portion:			
Payables relating to:			
Purchase of mining rights	(a)	18,600	27,900
		18,600	27,900
		80,649	94,094

24. OTHER PAYABLES AND ACCRUALS – *continued*

	Company	
	2014	2013
	RMB'000	RMB'000
Payables relating to:		
Professional fees	1,507	29,552
Payroll and welfare	85	—
	1,592	29,552

Note:

(a) The balances represent payables in connection with the purchase of mining rights to the Yongfeng Mine. Pursuant to the purchase contract, the remaining principal amount of RMB27,900,000 will be settled by equal annual instalments within the next three years from 1 March 2015 to 1 March 2017. 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., 6.00% per annum.

Except for the payables as described, all other payables of the Group are non-interest-bearing and are normally settled on 30-day terms.

25. INTEREST-BEARING BANK LOANS

		Group	
	Notes	2014	2013
		RMB'000	RMB'000
Repayable within one year:			
Secured bank loans	(a)	—	49,000
Unsecured bank loans	(b)	125,900	65,900
		125,900	114,900
Effective interest rate per annum (%)		6.44 - 7.28	5.88 - 7.84

(a) As at 31 December 2013, bank loans of RMB49,000,000 were secured by marble blocks with a carrying amount of RMB11,341,000.

(b) As at 31 December 2014, bank loans of Xiamen Huijin Stone of RMB125,900,000 were guaranteed by Jueshi Mining. As at 31 December 2013, bank loans of Xiamen Huijin Stone of RMB62,300,000 and RMB3,600,000 were guaranteed by Jueshi Mining and jointly guaranteed by the Company and Jueshi Mining, respectively.

26. DEFERRED INCOME

	RMB'000
Government grant	
At 1 January 2014	—
Government grant related to assets received during the year	6,005
Released to profit or loss (note 5)	(105)
At 31 December 2014	5,900

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

27. PROVISION FOR REHABILITATION

	Group	
	2014 RMB'000	2013 RMB'000
At the beginning of year	9,906	176
Additions	1,135	9,154
Unwinding of a discount (note 6)	671	576
At the end of year	11,712	9,906

28. SHARE CAPITAL

Shares

	2014 RMB'000	2013 RMB'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.01 each (2013: 3,000,000,000 ordinary shares of HK$0.01 each)	23,651	23,651
Issued and fully paid:		
1,333,334,000 ordinary shares of HK$0.01 each (2013: 1,333,334,000 ordinary shares of HK$0.01 each)	10,492	10,492

29. SHARE OPTION SCHEMES

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

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

	Notes	Exercise price HK$ per share	Number of options
As at 1 January 2014	(a)	2.39	16,666,675
Forfeited during the year	(b)	*	(4,666,669)
As at 31 December 2014			12,000,006

Notes:

(a) The share options outstanding as at 1 January 2014 represented share options granted by the Company on 30 December 2013 at the exercise price of HK$2.39 per share.

(b) The share options granted to two eligible participants under the Pre-IPO Share Option Scheme were forfeited following their resignation during the year ended 31 December 2014.

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

2014:

Number of options	Exercise price HK$ per share	Exercise period
1,199,998	2.39	From 30 June 2014 to 30 June 2015
1,199,998	2.39	From 30 June 2015 to 30 June 2016
4,800,001	2.39	From 30 June 2016 to 30 June 2017
4,800,009	2.39	From 30 June 2017 to 30 June 2018
12,000,006		

29. SHARE OPTION SCHEMES – *continued*

2013:

Number of options	Exercise price HK$ per share	Exercise period
1,666,667	2.39	From 30 June 2014 to 30 June 2015
1,666,668	2.39	From 30 June 2015 to 30 June 2016
6,666,670	2.39	From 30 June 2016 to 30 June 2017
6,666,670	2.39	From 30 June 2017 to 30 June 2018
16,666,675		

The fair value of the share options granted during the Pre-IPO Share Option Scheme was HK$12,056,000 (equivalent to approximately RMB9,487,000) or approximately HK$1.00 each (equivalent to approximately RMB0.79 each), of which the Group recognised a share option expense of HK$4,871,000 (equivalent to approximately RMB3,833,000) during the year ended 31 December 2014 (2013: RMB17,000)

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

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

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

At the end of the reporting period, the Company had 12,000,006 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 12,000,006 additional ordinary shares of the Company and additional share capital of HK$120,000 and share premium of HK$28,560,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 12,000,006 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.9% of the Company's shares in issue as at that date.

30. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 57 of the financial statements.

(a) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of associations of subsidiaries domiciled in Mainland China, each of the PRC subsidiaries is required to allocate 10% of its profit after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

According to articles of association of subsidiaries located in Mainland China, the subsidiaries are required to allocate 10% of its profit after tax in accordance with PRC GAAP to the SSR.

The SSR is non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. It can be used to offset accumulated losses or capitalised as paid-up capital.

(c) Safety fund surplus reserve

Pursuant to a notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, the Group is required to establish a safety fund surplus reserve based on the volume of marble blocks extracted. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

(d) Contributed surplus

The contributed surplus as at the end of the reporting period represents (i) the aggregate amount of the considerations of RMB33,636,000 paid to the former shareholders of Jueshi Mining by Mr. Liu to acquire Jueshi Mining, (ii) after netting off the distribution to Mr. Liu by the Group on the acquisition of the entire equity interest in Jueshi Mining as part of the Reorganisation with the consideration of RMB7,000,000.

30. RESERVES – *continued*

Group – *continued*

(e) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Company

The amounts of the Company's reserves and the movements therein are as follows:

	Note	Share premium account RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2013		—	—	(2,960)	(2,960)
Total comprehensive income for the year		—	—	(34,637)	(34,637)
Issue of new shares		231,745	—	—	231,745
Capitalisation of share premium account		(7,869)	—	—	(7,869)
Issue of new shares		692,500	—	—	692,500
Share issue expenses		(49,468)	—	—	(49,468)
Equity-settled share option arrangement	29	—	17	—	17
At 31 December 2013 1 January 2014		866,908	17	(37,597)	829,328
Total comprehensive loss for the year		—	—	(11,961)	(11,961)
Equity-settled share option arrangement	29	—	3,833	—	3,833
At 31 December 2014		866,908	3,850	(49,558)	821,200

31. DIVIDENDS

At a meeting of the board of directors held on 18 March 2015, the directors resolved not to declare any dividend to shareholders for the year ended 31 December 2014 (2013: Nil).

32. OPERATING LEASE ARRANGEMENTS – THE GROUP AS A LESSEE

The Group leases certain of its office and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

As at 31 December 2014 and 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Within one year	6,929	3,110
In the second to fifth years, inclusive	12,301	7,114
Over five years	81	—
	19,311	10,224

33. COMMITMENTS

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

	Group	
	2014 RMB'000	2013 RMB'000
Contracted, but not provided for:		
– Plant and equipment	10,308	8,078
– Intangible assets	60	1,762
– Prepaid land lease payments	—	10,122
	10,368	19,962

34. RELATED PARTY TRANSACTIONS

(a) During the year , the Group had the following material transactions with related parties:

Name of related parties	Note	2014 RMB'000	2013 RMB'000
Sales of goods:			
Xiamen Zhonglianjian Decoration Engineering Co., Ltd. ("Xiamen Zhonglianjian")	(i)	—	374
Office rental:			
Xiamen Zhonglianjian	(i)	542	542
Repayment of a loan to Liu's Group		—	(15,873)

Note:

(i) Xiamen Zhonglianjian is a company controlled by Mr. Liu. The directors consider that the office rental expenses paid by the Group to Xiamen Zhonglianjian as determined under the tenancy agreement are based on market rates for similar premises in similar locations.

(b) **Outstanding balances with related parties**

Details of the Group's and the Company's balances with their related parties as at the end of the reporting period are disclosed in note 22 to the financial statements. Balances with the related parties are interest-free, unsecured and have no fixed terms of repayment.

(c) **Compensation of key management personnel of the Group**

	2014 RMB'000	2013 RMB'000
Basic salaries and other benefits	8,418	2,942
Equity-settled share option expense	3,194	14
Pension scheme contributions	150	77
Total compensation paid to key management personnel	11,762	3,033

Further details of director and the chief executive's emoluments are included in note 8 to the financial statements.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's and the Company's financial instruments approximate to their fair values, either due to the short-term maturity, or, in the case of financial instruments with longer-term maturity, because they bear interest of market rates.

At the end of 2014 and 2013, there were no financial assets and liabilities carried at fair value in the consolidated statements of financial position of the Group.

Financial liabilities related to the non-current portion of other payables for the purchase of mining rights were categorised within level 2 as the fair value measurement hierarchy of such payables does not require significant unobservable inputs.

The fair value of interest-bearing bank loans and other payables relating to the purchase of mining rights has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, trade receivables, and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include trade and bills payables, other payables, amounts due to a related party and interest-bearing bank loans.

Risk management is carried out by the finance department which is led by the Group's senior management. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, liquidity risk and interest rate risk.

Credit risk

The carrying amounts of cash and bank balances and time deposits, trade receivables, and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

Substantial amounts of the Group's cash and bank balances and time deposits are held in major reputable financial institutions located in Mainland China and Hong Kong, which management believes are of high credit quality. The credit risk of the Group's other financial assets, which comprise trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Credit risk – *continued*

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. As the end of the reporting period, the Group had a concentration of credit risk as 72% (2013: 73%) of the Group's trade receivables of approximately RMB44,452,000 (2013: RMB11,490,000) were derived from five customers. Concentrations of credit risk are managed by customer and by geographical region, and all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the finance department and the sales department confirm the balance of trade receivables every month with customers. In respect of the credit quality of customers, the Group has adopted and will continue to implement a customer appraisal program to review its receivables, assess each customer's credibility and ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that credit risk is significantly reduced.

Foreign currency risk

The Group's businesses are located in Mainland China and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain trade receivables, other payables and cash at banks which are denominated in HK$ and US$.

The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies.

The following table demonstrates the sensitivity to a 5.0% change in RMB against US$ and HK$, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of cash and bank balances denominated in US$ and HK$, and trade receivables and other payables denominated in US$).

	2014 RMB'000	2013 RMB'000
Increase/(decrease) in profit before tax:		
If RMB weakens against US$	242	52
If RMB strengthens against US$	(242)	(52)
If RMB weakens against HK$	11	32,753
If RMB strengthens against HK$	(11)	(32,753)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and its own funding sources.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2014				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 4 years RMB'000	Total RMB'000
Interest-bearing bank loans	—	63,130	66,710	—	129,840
Trade and bills payables	50,470	20,000	60,000	—	130,470
Other payables and accruals	35,177	—	12,838	20,274	68,289
Due to a related party	71	—	—	—	71
	85,718	83,130	139,548	20,274	328,670

	31 December 2013				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 4 years RMB'000	Total RMB'000
Interest-bearing bank loans	—	1,931	117,087	—	119,018
Trade payables	22,967	—	—	—	22,967
Other payables and accruals	41,679	12,258	650	31,471	86,058
Due to a related party	71	—	—	—	71
	64,717	14,189	117,737	31,471	228,114

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing loans are disclosed in note 25.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing financial risks during the year.

37. EVENTS AFTER THE REPORTING PERIOD

(a) On 27 February 2015, the Group passed the special resolution to change the Company's name to ArtGo Holdings Limited at the extraordinary general meeting. The Registrar of Companies in the Cayman Islands has issued a Certificate of Incorporation on Change of Name on 2 March 2015 confirming the change of name of the Company as mentioned above with effect from 27 February 2015. The Company has filed relevant documents with the Companies Registry in Hong Kong and is waiting for the relevant Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company to be issued by the Companies Registry in Hong Kong, and subject to the approval from The Stock Exchange of Hong Kong Limited approving the change of stock short name of the Company, the effective date of change of the Company's name will be confirmed.

(b) On 29 January 2015 and 5 March 2015, Mr. Liu charged 526,000,000 shares and 152,127,548 shares of the Company respectively held by Liu's Group as security for his own loan facilities granted by two independent third parties.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2015.

A summary of the results, assets and liabilities of the Group for the period from 15 June 2011 to 31 December 2011 and the years ended 31 December 2012, 2013 and 2014, as extracted from the published audited financial statements, is set out below:

Results

	For the year ended 31 December			Period from 15 June 31 December
	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**344,339**	139,775	8,210	173
Cost of sales	**(127,511)**	(56,597)	(4,505)	(126)
Gross profit	**216,828**	83,178	3,705	47
Other income and gains	**19,905**	4,298	210	52
Selling and distribution expenses	**(27,541)**	(24,500)	(7,953)	(114)
Administrative expenses	**(43,018)**	(45,564)	(12,257)	(4,212)
Other expenses	**(8,259)**	(593)	(855)	(16)
Finance costs	**(13,698)**	(4,501)	(2,254)	(142)
PROFIT/(LOSS) BEFORE TAX	**144,217**	12,318	(19,404)	(4,385)
Income tax expense	**(41,885)**	(12,720)	(17)	—
PROFIT/(LOSS) AND TOTAL COMPREHENSIV INCOME/(LOSS) FOR THE YEAR/PERIOD	**102,332**	(402)	(19,421)	(4,385)
ATTRIBUTABLE TO:				
Owners of the Company	**102,332**	(402)	(19,421)	(4,122)
Non-controlling interests	**—**	—	—	(263)
	102,332	(402)	(19,421)	(4,385)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:				
Basic and diluted (RMB cent per Share)	**8.00**	(0.04)	N/A	N/A

SUMMARY OF FINANCIAL INFORMATION

	As at 31 December			
	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**164,640**	142,271	42,109	26,216
Current assets	**1,174,974**	970,656	238,413	25,067
Non-current liabilities	**39,386**	41,002	4,158	2,968
Current liabilities	**333,003**	210,865	292,319	37,849
Total equity/(deficit)	**967,225**	861,060	(15,955)	10,466
Non-controlling interests	**—**	—	—	—
Equity/(deficit) attributable to owners of the Company	**967,225**	861,060	(15,955)	10,466