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

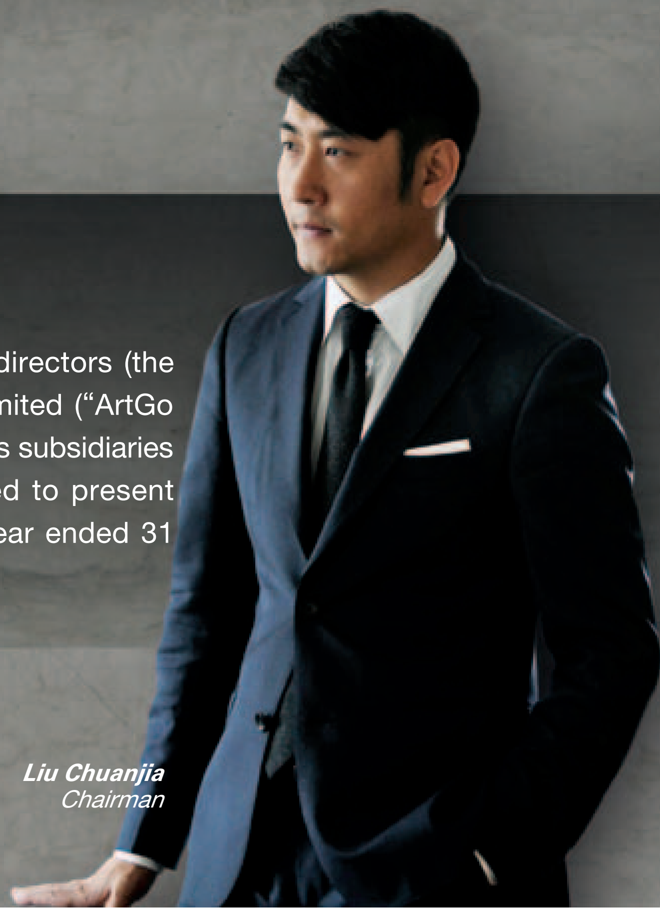
2013 ANNUAL REPORT

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of ArtGo Mining Holdings Limited ("ArtGo Mining" or the "Company", together with its subsidiaries referred to as the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2013.



Liu Chuanjia
Chairman

In 2013, the demand for high-quality marble slab was increasing, driven by the steady recovery of the global economy and the improving enterprises' confidence of expanding business. The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 30 December 2013, and tapped into the international capital market, setting the milestones towards bringing the marble in China to the international arena. The proceeds from the global offering will be used to fund our future capital requirements of the mine and the construction of our slab processing facilities, as well as to fund the expansion of our sales channels.

During the year under review, ArtGo Mining recorded a turnover of RMB139.8 million (2012: approximately RMB8.2 million). The loss for the year was RMB0.4 million (2012: loss of approximately RMB19.4 million) as a result of the IPO one-time expenses. Loss per share was RMB0.04 cents.

ArtGo Mining is a vertically integrated branded marble producer with the competitive edge in the aspects of resources, prices and networks. The Group owns the Yongfeng Mine (hereinafter defined), the largest marble mine in China, with a life span of 177 years. The marble products of the Group are comparable to the high-end foreign brands in terms of quality, but their prices are highly competitive. In the meantime, the Group also owns the largest marble distribution network in China.

Benefiting from the growing demand for marble slabs, the rapid growth of the high-end real estate market, the increased demand from the construction and decoration sectors, as well as, the increased market share of marble products resulting from the substitution of existing artificial construction decoration materials, the average price and sales volume of marble blocks and slabs produced by ArtGo Mining are increasing steadily.

During the year under review, we actively built relationships with the leading property developers in China, which provided us with opportunities to obtain long-term orders. In terms of international sales, we focused on exploring Europe, the Middle East, North America and other high-end markets with a discerning customer base, and sought additional design wins for landmark and other high profile buildings which would showcase our product quality and act as advertising to strengthen our brand image. We also reached out to designers and architects, who have significant influence over purchasing decisions in construction projects, through targeted advertising, such as on Weibo and at trade fairs.

Looking forward, the continuing growth of marble demand and increasing prices will create a favorable operating environment for the Group. As a branded marble producer, supplier and seller in the Chinese market following a vertically integrated business model, the Group will continue to maintain its competitive edge in resources, prices and networks. The Group is committed to strengthening brand recognition to further enhance our bargaining power on pricing while broadening and deepening distribution networks, and increasing international and direct sales. Also, the Group will rapidly ramp up mining capacity of the Yongfeng Mine, build and expand processing capabilities to improve quality control and increase product customization, as well as expand marble resources and diversify our product range through selective acquisitions.

“Gratitude” is the core corporate value of ArtGo Mining. 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 cornerstone investors and the public investors who recently became the shareholders of ArtGo Mining for their trust in the management and the team of ArtGo Mining. We feel the weight of responsibility keenly on our shoulders. Driven by the capital market, we will use our best endeavours to achieve a more fruitful result and create higher returns for our shareholders.

Liu Chuanjia
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 20 March 2014

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIU Chuanjia
(Chairman and Chief Executive Officer)
Mr. LI Dingcheng (李定成)
Mr. WANG Pingyao (王炳堯)
Mr. FAN Huiming (范輝明)

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. JIAO Jie

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. JIAO Jie

REGISTERED OFFICE

P.O. Box 613 GT
4th Floor Harbour Centre
George Town
Grand Cayman KY1-1107
Cayman Islands

HEADQUARTERS

23/F, Tower B, Haifu Center
599 Sishui Road
Huli District
Xiamen, PRC 361016

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAWS

Clifford Chance
27/F, Jardine House
1 Connaught Place
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

Industrial and Commercial Bank of China Limited
Xiamen Branch, Huli Sub-branch
No. 31-33 Xinglong Road
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PRC

STOCK CODE

3313

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BUSINESS REVIEW

In February 2013, the Group launched a large-scale commercial production at a marble mine ("Yongfeng Mine") situated in Yongfeng County, Jiangxi Province in China. For the year ended 31 December 2013, the Group has extracted a total of approximately 44,700 cubic meters of marble blocks in Yongfeng Mine. We have developed two operating mining areas in Yongfeng Mine, namely North #1 and North #4 mining areas. There are seven benches in North #1 mining areas and two benches in North #4 mining areas. Benefited from a favorable geographical environment and ideal geological conditions of Yongfeng Mine and based on the good foundation we laid on our mines, we are very confident in the mining of Yongfeng Mine in the future.

In 2013, we further expanded our distributor channel. As of the date of this annual report, the Group has a network with 69 distributors, covering 78 cities across 27 provinces and autonomous regions in the People's Republic of China (the "PRC" or "China"). As the brand effect of the Company's marble products gradually became stronger and the direct sales channels increased rapidly in 2013, a good performance is expected in 2014. The first stone experience store of the Company was opened at the end of 2013 in Xiamen, focusing on the integration of the innovative design of stone and home decoration. We hope to visually lead the trend of 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 Company and a useful complement to existing products in terms of colours.

RESOURCES AND RESERVES

Our Yongfeng Mine is located in 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 meters per annum

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB55.8 million for a period of 30 years. After paying RMB18.6 million in January 2013, we obtained a mining permit with an initial term of five years from 5 February 2013 to 5 February 2018. The term of our mining permit can be extended for another 25 years according to applicable PRC laws and regulations upon completion of our payment of the remaining mining right fee of RMB37.2 million plus interest accrued in four equal annual installments in the next four years. The first installment has been paid by the Company's own funds in March 2014.

The following table summarizes the marble resources and reserves of our Yongfeng Mine estimated as of 31 December 2013 under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

Resources	**Millions of cubic meters**
Measured	51.4
Indicated	46.6
Inferred	8.8
Total	106.8

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

Our Yongfeng Mine enjoys favorable 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. Our actual unit cash operating costs of one-side-polished slabs for 2012 and 2013 were RMB218 and RMB154 per square meter, respectively.

REVENUE

In 2013, the Group recorded an operating revenue of approximately RMB139.8 million, representing an increase of approximately RMB131.6 million compared to last year, mainly due to (i) the mining of Yongfeng Mine increased from 13,456 cubic meters in 2012 to 44,716 cubic meters in 2013; (ii) established since October 2012, our distribution network increased from 26 distributors in 2012 to 69 distributors in 2013; and (iii) benefited from the eight regional sales centres across the PRC, our direct sales channels increased rapidly in 2013, effectively improving the Group's revenue with distributors channels.

(a) Sales by product categories

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

	Year ended 31 December					
	2013			2012		
	RMB'000	%	Gross profit margin (%)	RMB'000	%	Gross profit margin (%)
Marble blocks	37,555	26.9	85.1	504	6.1	75.6
One-side-polished slabs	77,963	55.8	51.7	7,706	93.9	43.1
Cut-to-size slabs	24,257	17.3	45.2	—	—	—
Total	139,775	100.0	59.5	8,210	100.0	45.1

(b) Sales by Volume and Average Selling Price

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

	Year ended 31 December	
	2013	2012
Sales volume		
Marble blocks ('000 M^3)	6.6	0.1
One-side-polished slabs ('000 M^2)	356.4	32.1
Cut-to-size slabs ('000 M^2)	78.6	—
Average selling price		
Marble blocks (RMB/M^3)	5,716	4,885
One side polished slabs (RMB/M^2)	219	240
Cut-to-size slabs (RMB/M^2)	309	—

(c) Sales by Sales Channels

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

	Year ended 31 December 2013		Year ended 31 December 2012	
	RMB'000	%	RMB'000	%
Sales to distributors	50,199	37.2	3,894	55.0
Direct sales	84,752	62.8	3,203	45.0
	134,951	100.0	7,097	100.0

COST OF SALES

The Group's cost of sales amounted to approximately RMB56.6 million, which mainly included processing costs, representing approximately 50.2% of cost of sales; marble blocks mining costs, representing approximately 37.7% of cost of sales; and transportation costs, representing approximately 11.8% of cost of sales. The increase in cost of sales in 2013 was in line with the increases in sales and production capacity.

Processing costs

Processing costs of the Group in 2013 represented the processing fees paid to processors for processing marble blocks into slabs. Benefited from a substantial increase in processing volume and the significantly increased bargaining power of the Group with the processors, the processing fees per unit of slabs decreased from RMB77 per square metre to RMB64 per square metre, and the costs of sales per unit of one-side-polished slabs decreased by approximately 22.6% compared to 2012.

Marble blocks mining costs

In 2013, marble blocks mining costs of the Group mainly included mining labour costs, materials consumption, fuel, electricity, depreciation of production equipments and amortization of mining rights. Benefited from the economies of scale from mining and the strengthened control of costs from the Group, the marble blocks mining costs per unit decreased by approximately 28.6% compared to 2012.

Transportation costs

Transportation costs included: (i) long-distance transportation fees for transporting marble blocks from the blocks yard of 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 12.1% and 18.9% of the production costs for the year 2013 and 2012 respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group in 2013 increased by approximately RMB79.5 million, compared to 2012. The gross profit margin in 2013 was approximately 59.5%, while the gross profit margin in 2012 was approximately 45.1%. The significant increase in the gross profit margin was mainly benefited from the combined effect of the improved quality of the Group's products, the decrease in product costs per unit and the increasing proportion of marble blocks with higher gross profit margin.

OTHER INCOME AND GAIN

Other income and gain mainly included interest income from bank deposits and exchange gains generated from translation into RMB. Interest income amounted to RMB2.1 million and exchange gains amounted to RMB1.9 million for the year ended 31 December 2013, due to the continued appreciation of RMB in 2013.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly consisted of salaries of the Group's sales and distribution staff, travelling expenses, advertising costs and office rents, accounting for approximately RMB24.5 million, representing approximately 17.5% of the revenue in 2013, while the selling expenses of RMB8.0 million in 2012 accounted for approximately 96.9% of the revenue in 2012. As we gradually built up our sales channels and incurred expenses in brand promotion since October 2012, our selling and distribution expenses increased significantly in 2013.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly included the cost of the Company's initial public offering of shares, consultancy fees, mineral resources compensation fee and salaries of administrative staff.

HUMAN RESOURCES AND REMUNERATION POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merit, qualifications and competence.

As at 31 December 2013, the total number of full-time employees of the Group was 368 (31 December 2012: 241). Employee costs excluding the Directors' remuneration totalled RMB27.8 million for the year of 2013 (2012: RMB8.9 million). 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. During the year under review, the contributions for the amounted of approximately RMB2.4 million (2012: RMB0.7 million) are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Company also adopted a share option scheme (the "Share Option Scheme") and a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 9 December 2013 (collectively, the "Share Option Schemes"). During the year ended 31 December 2013, 16,666,675 options to subscribe for an aggregate of 16,666,675 shares, have been granted under the Pre-IPO Share Option Scheme and no option has been granted under the Share Option Scheme. For details of the Share Option Schemes, please see the paragraph headed "Share Option Schemes" below.

The emoluments paid to the senior management (excluding the Directors) of the Company during the year ended 31 December 2013 were within the band from nil to HK$1.0 million.

FINANCE COSTS

Finance costs primarily consist of interest on bank loans and deferred payment from the acquisition of mining rights. The increase in finance costs by RMB2.2 million mainly reflected the accrued interest expenses relating to deferred payment from the acquisition of mining rights.

INCOME TAX EXPENSES

Income tax expenses increased from RMB17,000 in the year ended 31 December 2012 to approximately RMB12.7 million in the year ended 31 December 2013 mainly from the taxable profits generated by the Group's subsidiaries in the PRC.

LOSS AND TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR

Despite a significant increase of revenue in 2013, due to the non-recurring listing expenses of approximately RMB29.5 million arising from initial public offering of the Company in 2013, we still incurred a net loss attributable to the owners of the Company of approximately RMB0.4 million. Compared to the net loss of approximately RMB19.4 million in 2012, we nearly managed to be close to break even in 2013.

INVENTORIES AND TURNOVER DAYS

The Group's inventories increased by approximately 117.1%, from approximately RMB28.1 million as at 31 December 2012 to approximately RMB61.0 million as at 31 December 2013. It is primarily due to an increase in stock of marble blocks and one-side-polished slabs. The Group had to reserve more safety inventory for direct sales and further processing required to support its expanding business in 2014. Notwithstanding the increase in the level of inventories, the Group's inventory turnover days decreased from 1,401 days in 2012 to 217 days in 2013. Such improvement in inventory turnover days was the result of the Group's effort in production planning to maintain a relatively lower inventory level.

TRADE RECEIVABLES AND TURNOVER DAYS

The Group's trade receivables increased from approximately RMB0.04 million as at 31 December 2012 to approximately RMB15.7 million as at 31 December 2013. The trade receivables turnover days were 20 days in 2013 as compared to 1 day in 2012, due to the fact that we started granting credits to some of our existing and major customers. The credit term is generally one month and extendable to three months for major customers, while full payment upon delivery was required in 2012.

TRADE PAYABLES AND TURNOVER DAYS

The Group's trade payables increased by approximately RMB19.1 million, from approximately RMB3.9 million as at 31 December 2012 to approximately RMB23.0 million as at 31 December 2013. Trade payables turnover days decreased from 164 days in 2012 to 64 days in 2013, primarily due to an increase in our cost of sales during 2013.

NET CURRENT ASSETS/LIABILITIES

The Group has net current assets of approximately RMB759.8 million as at 31 December 2013 as compared to its net current liabilities of approximately RMB53.9 million as at 31 December 2012. The Group's current liabilities exceeded current assets by approximately RMB53.9 million as at 31 December 2012 because the Group relied primarily on shareholder's loans and bank loans to finance capital expenditures in purchasing and upgrading production facilities and equipment. On 29 June 2013, we issued two new ordinary shares of the Company (the "Share(s)") to Liu Investment Development Holdings Group Limited ("Liu's Group") in exchange for the settlement of its shareholder's loans to us. Primarily as a result of such transaction as well as the net proceeds from our initial public offering and cash flows from the operations in 2013, the Group turned from a net current liabilities position as at 31 December 2012 into a net current assets position as at 31 December 2013.

CURRENT RATIO

The current ratio, being current assets over current liabilities, was 4.6 as at 31 December 2013 (31 December 2012: 0.8). The current ratio increased significantly primarily because of the net proceeds from the initial public offering of the Company, settlement of the shareholder's loans from Liu's Group and cash flows from operations.

BORROWINGS

The Group generally finances its operations with internally generated cash flows and banking credit facilities. As at 31 December 2013, the Group had total bank loans of RMB114.9 million (31 December 2012: RMB28.0 million). Bank loans with an amount of RMB49.0 million were secured by marble blocks of the Group, while the remaining of RMB65.9 million was unsecured but guaranteed by Jueshi Mining and/or the Company. Details of which are set out in note 23 to the consolidated financial statements of this annual report.

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 2013 and 2012, the Group's cash and bank balances exceeded the interest-bearing bank loans, respectively. As such, no gearing ratio as at 31 December 2013 and 2012 is 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. For 2013, the Group's expenditure for: (a) the construction of infrastructure of the and purchase of items of property, plant and equipment totalled RMB24.9 million, (b) for the purchase of mining rights totalled RMB18.8 million, and (c) payment in advance of purchasing of prepaid land lease payments totalled RMB2.7 million.

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are located in Mainland China and most of the transactions were dominated in RMB, except for an amount due to the holding company and certain cash at banks are denominated in HK$ and US$ (details of which are set out in note 32 to the consolidated financial statements of this annual report). As such, the Group has limited exposure to any significant foreign currency exchange risks. The Board does not expect any material impact on the Group's operations caused by any foreign currency fluctuations. No financial instruments were employed by the Group for hedging purpose during the Reporting Period.

PLEDGE OF ASSETS

As at 31 December 2013, the Group pledged marble blocks of approximately RMB11.3 million (2012: approximately RMB3.2 million) to secure the bank loans granted to the Group.

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

The net proceeds from the Company's listing and issue of new 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 of the Company dated 16 December 2013 (the "Prospectus"). As at 31 December 2013, all net proceeds were unutilized and are deposited with licensed banks as short-term deposits in China and Hong Kong respectively.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had capital commitments of RMB20.0 million for purchasing of prepaid land lease payments, acquisition of property, plant and equipment, and intangible assets, which were contracted but not provided for, as at 31 December 2013.

As at 31 December 2013, the Group had no material contingent liabilities.

MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER ISSUES

The Group had no major acquisition and disposal of assets and merger issues for the year ended 31 December 2013.

FUTURE PLANS

Our principal goals are to become the largest fully vertically integrated marble supplier in China and a leading domestic and internationally recognized brand in the industry. We plan to accomplish these goals by implementing a business strategy with the following components: (1) strengthen brand recognition to increase pricing power; (2) broaden and deepen distribution network and increase international and direct sales; (3) rapidly ramp up mining capacity; (4) build and expand processing capabilities to improve quality control and increase product customization; and (5) expand marble resources and diversify product range through selective acquisitions.

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of eight 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	36	Executive Director, Chairman and Chief executive officer
Mr. LI Dingcheng (李定成)	51	Executive Director
Mr. WANG Pingyao (王炳堯)	55	Executive Director
Mr. FAN Huiming (范輝明)	44	Executive Director
Mr. WU Yun (吳雲)	34	Non-executive Director
Mr. LIU Jianhua (劉建華)	49	Independent non-executive Director
Mr. WANG Hengzhong (王恒忠)	45	Independent non-executive Director
Mr. JIN Sheng (金勝)	53	Independent non-executive Director

EXECUTIVE DIRECTORS

Mr. LIU Chuanjia, aged 36, became the founder of our Group in 2011 and is currently an executive Director, Chairman of the Board and chief executive officer of our Group ("Chief Executive Officer"). Mr. Liu is also the chairman of the nomination committee and a member of remuneration committee of the Company. Mr. Liu has over 12 years of experience in the stone trading industry and over six 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, 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'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. LI Dingcheng (李定成), aged 51, 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 24 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 December 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, Mr. Li did not hold directorship in any listed public companies in the past three years.

Mr. WANG Pingyao (王炳堯), aged 55, is currently an executive Director and the technical and quality research department manager of our Group. He joined our Group on 1 July 2011 and is mainly responsible for providing technical guidance to miners, providing technical support in mines construction, mining machinery and equipment and supervising and managing blocks mining and large plate processing. He has over 16 years of experience in mining technology and management. From May 1996 to August 2002, Mr. Wang worked at the Asia-Pacific region of CMS SpA as a technical engineer of the service division, where he was mainly responsible for providing technical services to various marble mining companies and such technical services included the enhancement of the marble mining exploration and extraction process. From September 2002 to November 2005, as a senior consultant of Xianglian Stone (Xiamen) Co., Ltd, Mr. Wang acquired experience in mineral exploration and business development in China, and was also involved in the construction and trial production of stone processing plants, including marble processing plants. From December 2005 to June 2007, as a consultant of Xu Chao Stone Materials Co., Ltd, he was responsible for advising the export of stone materials, including marbles. In 2007, Mr. Wang founded Yao Interlink Limited, which was engaged in the export of stone and marble mining and exploration equipment and provision of technical consultation on stone and marble exploration to clients in Israel, Kazakhstan and Kyrgyzstan. Mr. Wang graduated from National Cheng Kung University with a bachalor's degree in mechanical engineering in 1982, majoring in industrial production. As of the date of this annual report, Mr. Wang did not hold directorship in any listed public companies in the past three years.

Mr. FAN Huiming (范輝明), aged 44, is currently an executive Director and the vice president of our Group. He joined our Group on 23 August 2012, 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 our Company. He has over 18 years of experience in the stone processing industry and had worked in various stone processing companies prior to joining our Group. From March 1994 to November 1995, Mr. Fan was the head of the production department of Universal Marble & Granite Group Ltd., where he was responsible for the production management of irregular-shaped marble products. Mr. Fan advised and participated in the development and implementation of the mining exploration and exploitation programme from the beginning to the end. From December 1995 to December 2003, Mr. Fan was the production plant manager of Dongguan City Dongcheng Stone Materials Co., Ltd., where he was responsible for the production management of the engineering plant of irregular-shaped marble materials. As the representative of the processing department, Mr. Fan advised the development and implementation of the plan of mining exploration and exploitation, communicated with the exploration department, mining department and technical department during the entire process of exploration and exploitation. From February 2004 to December 2006, Mr. Fan was the production director of Xishi Group Development Co., Ltd. (currently known as Xishi Co., Ltd.), where he was responsible for the production management of an irregular-shaped marble material factory, a marble plates factory and a sheet plates factory and the external processing. As the representative of the processing department, Mr. Fan advised the development and implementation of the plan of mining exploration and exploitation, communicated with the exploration department, mining department and technical department on exploration and exploitation workflow during the entire process of exploration and exploitation. He was awarded the Quanzhou Outstanding Foreign Labour Entrepreneurial Award under the "Second Top Ten Outstanding Foreign Entrepreneurs of Quanzhou City, Fujian Province Scheme" in 2006. From February 2007 to March 2012, Mr. Fan was the production plant manager and the deputy general manager of Universal Marble & Granite Group Ltd., where he was responsible for the production management of the projects department (mainly the stone processing in marble projects), establishment and management of the Marble Creation Industrial Park and the management of a marble processing line. Mr. Fan advised and participated in the development and implementation of the mining exploration and exploitation programme from the beginning to the end. In relation to Mr. Fan's representation of the processing department and his advice on the development and implementation of the plan of mining exploration and exploitation during all the aforementioned periods, interactive communication between the processing and the exploration departments is vital in the entire process of exploration and exploitation, because members of the processing department must feed important information, such as the design patterns and specifications of marbles in line with the current market demand, to the exploration department so that the raw marbles would be extracted using appropriate methods for subsequent processing. Unlike other commodities mining, precision in cutting a marble block is crucial to its usability and marketability. Cutting a marble block in a slightly different angle may render a marble block unusable and unmarketable. As such, members of the processing department must educate mine employees on the cutting techniques that would maximize the value of marble blocks for further processing. In this regard, given his deep knowledge on marble mining and processing, Mr. Fan's advice on how the raw marbles are extracted from the mine as regards the design patterns and specifications of marbles in line with the current market demand, as well as his on-the-ground education and supervision of mine employees in the marble extraction process to ensure marble blocks are properly cut to maximize their value, is essential to the entire exploration process and such knowledge and experience is very valuable to our mining operations. Mr. Fan graduated from Jiangxi Industrial University (currently Nanchang University) with junior college diploma in 1992, majoring in machinery. He was awarded the honorary title "the Best 100 Reform Model Newsmaker" issued by State Council Economic Restructuring Office Reform Press and National Farmer Newspapers Association in August 2000 and the certification of "Workplace Management Improvement" issued by Hong Kong Enterprises Management Center Group in November 2008. In addition, he became a senior registered production management manager of the CHC Manager Human Resource of China High-technology Education Working Committee in 2010. As of the date of this annual report, Mr. Fan did not hold directorship in any listed public companies in the past three years.

NON-EXECUTIVE DIRECTOR

Mr. WU Yun (吳雲), aged 34, was appointed as a non-executive Director in July 2012. Mr. Wu has over ten 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 other listed public companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Jianhua (劉建華), aged 49, 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 17 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 other listed public companies in the past three years.

Mr. WANG Hengzhong (王恒忠), aged 45, 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 14 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, Mr. Wang did not hold directorship in any listed public companies in the past three years.

Mr. JIN Sheng (金勝), aged 53, 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 15 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, section chief and 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, 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 46, 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 20 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. LIU Xiangbo (劉相波), aged 37, is currently the mine head of Jueshi Mining, responsible for the setting up and management of mining production team, the execution of mining plans, supervision and management of the production, supervising the training of mining employees, production safety and quality control. Mr. Liu joined our Group on 5 May 2012, and has over 14 years of experience in mining production. Prior to joining our Company, from March 1998 to April 2011, Mr. Liu was the head of marble mines in Sichuan of Sichuan Daxing Stone Material Co., Ltd, where he was responsible for technical supervision and management of extraction equipment, in addition to the management of production and safety in marble mines. Mr. Liu was the mine production manager and deputy mines production manager, respectively, of Sichuan Jiangyou Jinshida Stone Co., Ltd from June 2011 to February 2012, responsible for mines exploration, assisting the marble mines production manager in all matters relating to production, including quality assurance and evaluation of the performance of miners during the marble exploration and extraction process. He was also the production mines manager of Gansu Yumen Huadi Mining Co., Ltd from February 2012 to May 2012, where he was involved in the granite mine planning, production coordination and verification of granite mining output. Mr. Liu graduated from Sichuan Water Resources and Electric School (currently known as Sichuan Water Conservancy Vocational College) in July 1996, and obtained the qualification as the main person in charge for non-coal mines in August 2012.

Mr. FENG Song (馮松), aged 36, is currently the deputy mine head of Jueshi Mining, responsible for overseeing the technical implementation of mining exploration and extraction activities, as well as advising on matters relating to the technical aspects of the operation of mines. Mr. Feng joined our Group on 15 July 2012, and has over 8 years of experience in mining exploration and extraction. Prior to joining our Company, from June 1999 to January 2006, Mr. Feng was the person-in-charge of the mine technical department of the Wudinglisha Stone Co., Ltd., responsible for formulating technical proposals in relation to the exploration of marble mines, supervising marble mine extraction activities, providing technical support to the implementation of mine exploration technical proposals and operation of mining equipment, as well as training technical personnel for marble mines. Mr. Feng was the technical director of Hunan Yingzi Hill Stone Exploration Co., Ltd. from March 2010 to May 2012, where he was responsible for formulating and implementing marble mine exploration plans, supervising marble mine exploration and extraction activities to ensure compliance with the relevant environmental protection and production safety laws and regulations, providing technical support to the operation of mining equipment and training technical personnel for marble mines. Mr. Feng graduated from Changchun Industrial Tertiary Institute (currently known as Changchun Institute of Technology) in May 1998 specializing in mine geology.

Ms. AI Qinghua (艾清華), aged 47, is currently our Group's vice president and financial controller, 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 27 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.

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"). From 30 December 2013 (the "Listing Date") to 31 December 2013 and throughout the period to the date of this annual report (the "Reporting Period"), the Company has complied with the applicable code provisions as set out in the CG Code, except for code provision A.2.1 thereof which is explained in the relevant paragraph of this corporate governance report. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

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, Chief Executive Officer, Chairman of the Nomination Committee and member of the Remuneration Committee)*
Mr. LI Dingcheng *(Manager of Geology, Production and Environmental Safety)*
Mr. WANG Pingyao *(Technical and Quality Research Department Manager)*
Mr. FAN Huiming *(Vice President)*

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 18 to 23 of this annual report.

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

During the Reporting Period, there was one board meeting held on 20 March 2014 to approve the Group's final results for the year ended 31 December 2013 and other matters. All Board members attended the said meeting present in person or by means via telephonic conferencing, constituting presence at a meeting under the articles of association of the Company (the "Articles").

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, is also responsible for the strategic planning and overseeing all aspects of the Group's operation as the Chief Executive Officer. Mr. Liu 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.

Independent Non-executive Directors

During the Reporting Period, 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 from the Listing Date 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.

In addition, relevant reading materials including directors' manual/legal and regulatory update/seminar handouts have been provided to the Directors for their reference and studying.

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.

The Audit Committee shall meet the external auditors twice a year without the presence of the executive Directors. During the Reporting Period, the Audit Committee held a meeting on 20 March 2014, with all members present in person or through telephonic conferencing, to assess the independence of the Company's auditors, review the internal control systems and the Group's financial results for the year ended 31 December 2013 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 2013 and the auditors' report thereon.

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.

Since the Listing Date up to 31 December 2013, no meeting was held by the Remuneration Committee. The Company will comply with the CG Code to hold at least one meeting of the Remuneration Committee annually.

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.

Since the Listing Date up to 31 December 2013, no meeting was held by the Nomination Committee. The Company will comply with the CG Code to hold at least one meeting of the Nomination Committee annually.

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 Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

DIRECTORS' RESPONSIBILTY 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 2013.

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 48 to 49.

AUDITORS' REMUNERATION

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

For the year ended 31 December 2013, apart from the provisions of annual audit services, Ernst & Young was also the reporting accountants of the Company in relation to the initial public offering of the Company. During the year ended 31 December 2013, the total fees paid/payable in respect of audit and non-audit services provided by Ernst & Young are set out below:

Services rendered for the Company	**Fees paid and payable** RMB'000
Audit services:	
Annual audit services	1,450
Reporting accountants' services in relation to listing	5,310
Non-audit services	
Internal control advisory services	350
	7,110

INTERNAL CONTROLS

During the Reporting Period, 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, 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 and ensure compliance with the Listing Rules and applicable Hong Kong laws, 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. JIAO Jie, who is also the group legal counsel of the 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 contracy 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: 23/F, Tower B, Haifu Center, 599 Sishui Road, Huli District, Xiamen, PRC 361016
(For the attention of the Board of Directors)
Fax: +86 592 5799627
Email: info@artgo.cn

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through AGM and other general meetings. At the AGM, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

A dedicated Investor Relations section is available on the Company's website www.artgo.cn. Information on the Company's website is updated on a regular basis. Information released by the Company to the Stock Exchange, presentation materials provided in conjunction with the AGM and results announcement and press releases will be made available on the Company's website.

The Company has not made any changes to its Articles since the Listing Date. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

The Directors are pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

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.

As part of the preparation for the listing of the Shares of the Company on the Stock Exchange, the Company implemented a capitalization issue of 999,999,898 Shares and an issue of 333,334,000 new Shares during the initial public offering of the Company in 2013. All such Shares issued were ordinary shares and the 333,334,000 new Shares were issued at HK$2.65 per Share. The net proceeds of the initial public offering received by the Company were approximately HK$833 million. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As of 31 December 2013, none of the proceeds had been utilised.

The Company's 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 14 to the consolidated financial statements of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2013 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 2013.

RESERVES

Details of movements in the reserves of the Group for the year ended 31 December 2013 are set out in note 28 to the consolidated financial statements and in the consolidated statement of changes in equity of this annual report, respectively.

As at 31 December 2013, 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 9.8% and 34.8% of the Group's total sales respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were approximately 10.0% and 34.1% 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 2013 are set out in note 23 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 RMB135,000 (2012: RMB70,000).

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 26 and 27 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 and 2013 are set out on page 110 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights over Shares of the Company 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. LI Dingcheng (李定成)
Mr. WANG Pingyao (王炳堯)
Mr. FAN Huiming (范輝明)

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. Liu Chuanjia will retire by rotation as Director at the forthcoming AGM, whereas in accordance with article 83(3) of the Articles, Mr. Li Dingcheng, Mr. Wang Pingyao, Mr. Fan Huiming, Mr. Wu Yun, Mr. Liu Jianhua, Mr. Wang Hengzhong and Mr. Jin Sheng will retire as Directors at the forthcoming AGM.

All the above retiring Directors, other than Mr. Wang Pingyao, being eligible, offer themselves for re-election at the forthcoming AGM.

Mr. Wang Pingyao, an executive Director of the Company, will not offer himself for re-election at the forthcoming AGM, due to his own decision to devote more time to personal endeavours.

Mr. Wang has confirmed that he has no disagreement with the Board, and there are no matters relating to his retirement that need to be brought to the attention of the Shareholders.

The Board would like to take this opportunity to express its gratitude to Mr. Wang for his valuable contributions to the Company during his tenure of service.

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 16,666,675 Shares representing 1.25% 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 2013	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2013	Exercise price HK $	Date of grant
Other employees							
In aggregate	—	16,666,675 *(Note 1)*	—	—	16,666,675 *(Note 1)*	2.39	30 December 2013
Total	—	16,666,675	—	—	16,666,675		

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	1,666,667
From 30 June 2015 to 30 June 2016	2.39	1,666,668
From 30 June 2016 to 30 June 2017	2.39	6,666,670
From 30 June 2017 to 30 June 2018	2.39	6,666,670
		16,666,675

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 2013.

DISCLOSURE OF INTERESTS

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

As at 31 December 2013, 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 interested (Note (1))	Approximate percentage of the issued share capital of the Company
Mr. Liu	Interest in controlled corporation (Note (2))	678,127,548(L)	50.86%

(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	Beneficial Owner	Liu's Group	100(L)	100%

Notes:

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

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

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

As at 31 December 2013, 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 interest	678,127,548(L)	50.86%
China Marble Investment Holdings Limited	Beneficial interest	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 Parnter 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%
Bank of America Corporation	Interest in controlled corporation	140,129,340(L) *(Note 3)*	10.51%
		106,766,340(S) *(Note 4)*	8.01%

Notes:

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

(2) As known to the Directors after making reasonable enquiry, as at 31 December 2013, 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.

(3) As known to the Directors after making reasonable enquiry, as at 31 December 2013, Merrill Lynch International was interested in 140,129,340 Shares in long position and 56,766,340 Shares in short position. Merrill Lynch International was wholly owned by ML UK Capital Holdings which was in turn owned by MLEIH Funding as to 58.94%. MLEIH Funding was 91.90% owned by Merrill Lynch Europe Limited and Merrill Lynch Europe Limited was wholly owned by Merrill Lynch UK Holdings. Merrill Lynch UK Holdings was 57.19% owned by ML EMEA Holdings LLC which was in turned wholly owned by Merrill Lynch International Incorporated. As Bank of America Corporation wholly owned NB Holdings Corporation which wholly owned Merrill Lynch International Incorporated, Bank of America Corporation is therefore deemed to be interested in 140,129,340 Shares in long position and 56,766,340 Shares in short position by Merrill Lynch International for the purpose of Part XV of the SFO.

(4) As known to the Directors after making reasonable enquiry, as at 31 December 2013, Merrill Lynch Japan Securities Co., Ltd. is interested (in short position) in 50,000,000 Shares. Merrill Lynch Japan Securities Co., Ltd. is wholly owned by Merrill Lynch International Incorporated. As Bank of America Corporation wholly owned NB Holdings Corporation which in turned wholly owned Merrill Lynch International Incorporated, Bank of America Corporation is therefore deemed to be interested in the 50,000,000 Shares held in short position by Merrill Lynch Japan Securities Co., Ltd. for the purpose of Part XV of the SFO.

MANAGEMENT CONTRACTS

For the year ended 31 December 2013, 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 2013.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2013 is contained in note 31 to the consolidated financial statements of this annual report. The related party transactions disclosed in note 31 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.31(2), 14A.31(6), 14A.33(3) and 14A.65(4) 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 Reporting Period, 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 of the Company were first listed on the Main Board of the Stock Exchange on 30 December 2013. During the Reporting Period, 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/she 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 2013. 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 22 May 2014 to 28 May 2014 (both dates inclusive, 5 business days in total) during which period no transfer of shares will be registered. In order to attend and vote at the 2014 annual general meeting, all transfer forms 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 no later than 4:30 p.m. on 21 May 2014.

AUDITORS

Ernst & Young has acted as auditors of the Company and has audited the Company's financial statements for the year ended 31 December 2013. 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

There are no major subsequent events occurring during the period from 1 January 2014 to the date of this annual report.

On behalf of the Board

Liu Chuanjia
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 20 March 2014

EY 安永

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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 50 to 109, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 2013, and of the Group's loss 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

20 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	4	**139,775**	8,210
Cost of sales		**(56,597)**	(4,505)
Gross profit		**83,178**	3,705
Other income and gain	5	**4,298**	210
Selling and distribution expenses		**(24,500)**	(7,953)
Administrative expenses		**(45,564)**	(12,257)
Other expenses		**(593)**	(855)
Finance costs	6	**(4,501)**	(2,254)
PROFIT/(LOSS) BEFORE TAX	7	**12,318**	(19,404)
Income tax expense	9	**(12,720)**	(17)
LOSS AND TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR	10	**(402)**	(19,421)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic and diluted (RMB cent per Share)	11	**0.04**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**41,051**	15,091
Intangible assets	13	**77,206**	21,838
Prepayments, deposits and other receivables	15	**11,144**	1,958
Payments in advance	16	**11,168**	1,520
Restricted deposits	17	**1,702**	1,702
Total non-current assets		**142,271**	42,109
CURRENT ASSETS			
Inventories	18	**60,973**	28,135
Trade receivables	19	**15,706**	41
Prepayments, deposits and other receivables	15	**10,545**	6,823
Due from related parties	20	**197**	2,322
Cash and bank balances	17	**883,235**	201,092
Total current assets		**970,656**	238,413
CURRENT LIABILITIES			
Trade payables	21	**22,967**	3,888
Other payables and accruals	22	**66,194**	9,860
Tax payable		**6,733**	20
Interest-bearing bank loans	23	**114,900**	28,000
Due to related parties	20	**71**	250,551
Total current liabilities		**210,865**	292,319
NET CURRENT ASSETS/(LIABILITIES)		**759,791**	(53,906)
TOTAL ASSETS LESS CURRENT LIABILITIES		**902,062**	(11,797)
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	**3,196**	2,965
Other payables	22	**27,900**	1,017
Provision for rehabilitation	25	**9,906**	176
Total non-current liabilities		**41,002**	4,158
Net assets/(liabilities)		**861,060**	(15,955)
EQUITY/(DEFICIT)			
Equity attributable to owners of the Company			
Issued capital	26	**10,492**	—
Reserves	28	**850,568**	(15,955)
Total equity/(deficit)		**861,060**	(15,955)

Liu Chuanjia
Director

Wang Pingyao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2013

	Issued capital RMB'000 (note 26)	Share premium account RMB'000 (note 28(a))	Statutory reserve RMB'000 (note 28(b))	Safety fund surplus reserve RMB'000 (note 28(c))	Share option reserve RMB'000 (note 27)	Difference arising from acquisition of non-controlling interests RMB'000	Contributed surplus RMB'000 (note 28(d))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	—	—	—	—	—	(19,048)	33,636	(4,122)	10,466
Loss and total comprehensive loss for the year	—	—	—	—	—	—	—	(19,421)	(19,421)
Establishment for safety fund surplus reserve	—	—	—	94	—	—	—	(94)	—
Distribution to the ultimate controlling shareholder (note 28(d))	—	—	—	—	—	—	(7,000)	—	(7,000)
At 31 December 2012	—	—	—	94*	—	(19,048)*	26,636*	(23,637)*	(15,955)
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 (note 26(a))	—	231,745	—	—	—	—	—	—	231,745
Capitalisation of share premium account (note 26(b))	7,869	(7,869)	—	—	—	—	—	—	—
Issue of new shares (note26(c))	2,623	692,500	—	—	—	—	—	—	695,123
Share issue expenses	—	(49,468)	—	—	—	—	—	—	(49,468)
Transfer from reserves (note 28(b))	—	—	1,308	—	—	—	—	(1,308)	—
Establishment for safety fund surplus reserve (note(28(c))	—	—	—	488	—	—	—	(488)	—
Equity-settled share option arrangement (note 27)	—	—	—	—	17	—	—	—	17
At 31 December 2013	10,492	866,908*	1,308*	582*	17*	(19,048)*	26,636*	(25,835)*	861,060

* These reserve accounts comprise the consolidated reserves of RMB850,568,000 (2012: RMB(15,955,000)) in the consolidated statement of financial position.

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**12,318**	(19,404)
Adjustments for:			
Depreciation of items of property, plant and equipment	12	**3,284**	1,388
Amortisation of intangible assets	13	**757**	2,951
Loss on disposal of items of property, plant and equipment	7	**1**	84
Equity-settled share option expense	27	**17**	—
Finance costs	6	**4,501**	2,254
Foreign exchange loss/(gain), net	7	**(1,873)**	632
Bank interest income	5	**(2,138)**	(169)
		16,867	(12,264)
Increase in trade receivables		**(15,665)**	(41)
Increase in inventories		**(32,838)**	(21,698)
increase in prepayments, deposits and other receivables		**(11,936)**	(8,220)
Increase in trade payables		**19,079**	3,732
Decrease in amounts due from related parties		**203**	16,260
Increase in other payables and accruals		**45,111**	6,522
Cash generated from/(used in) operations		**20,821**	(15,709)
Income tax paid		**(5,776)**	—
Interest paid		**(1,789)**	(2,253)
Interest received		**1,166**	108
Net cash flows from/(used in) operating activities		**14,422**	(17,854)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(24,917)**	(11,555)
Purchase of mining rights		**(18,640)**	—
Purchase of software		**(3,496)**	(25)
Expenditure on exploration and evaluation assets		**(170)**	(5,639)
Proceeds from disposal of items of property, plant and equipment		—	2
Increase in time deposits with maturity of over three months		**(125,500)**	(48,000)
Payment in advance for the purchase of prepaid land lease payments		**(2,671)**	—
Increase in restricted deposits		—	(1,702)
Net cash flows used in investing activities		**(175,394)**	(66,919)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		**114,900**	56,000
Repayment of bank loans		**(28,000)**	(54,160)
Proceeds from issue of shares	26(c)	**695,123**	—
Share issue expenses		**(49,468)**	—
Increase/(decrease) in an amount due to/from the ultimate controlling shareholder		**1,993**	(8,364)
Increase/(decrease) in an amount due to the holding company		**(15,873)**	251,467
Distribution to the ultimate controlling shareholder	28(d)	**—**	(7,000)
Net cash flows from financing activities		**718,675**	237,943
NET INCREASE IN CASH AND CASH EQUIVALENTS		**557,703**	153,170
Cash and cash equivalents at beginning of the year		**153,092**	1,470
Effect of foreign exchange rate changes, net		**(1,060)**	(1,548)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**709,735**	153,092
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand and cash at banks		**709,735**	127,950
Non-pledged time deposits	17	**173,500**	73,142
Cash and bank balances	17	**883,235**	201,092
Time deposits with original maturity of over three months	17	**(173,500)**	(48,000)
Cash and cash equivalents		**709,735**	153,092

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	14	223,383	126,288
CURRENT ASSETS			
Prepayments, deposits and other receivables	15	—	1,136
Due from related parties	20	197	—
Cash at banks	17	655,029	12
Total current assets		655,226	1,148
CURRENT LIABILITIES			
Other payables and accruals	22	29,552	—
Due to subsidiaries	14	9,221	4,670
Due to related parties	20	16	125,726
Total current liabilities		38,789	130,396
NET CURRENT ASSETS/(LIABILITIES)		616,437	(129,248)
Net assets/(liabilities)		839,820	(2,960)
EQUITY/(DEFICIT)			
Issued capital	26	10,492	—
Reserves	28	829,328	(2,960)
Total equity/(deficit)		839,820	(2,960)

Liu Chuanjia
Director

Wang Pingyao
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 613 GT, 4th Floor Harbour Centre, George Town, Grand Cayman KY1-1107, Cayman Islands. The Company's principal place of business in Hong Kong is 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.

Pursuant to the group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE"), which was completed on 7 February 2012, the Company became the holding company of subsidiaries now comprising the Group. Details of the Reorganisation were set out in the prospectus issued by the Company on 16 December 2013. The Company's shares have been listed on the Main Board of the HKSE since 30 December 2013.

In the opinion of the directors, prior and subsequent to the Listing, 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 all 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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. 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, expense 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 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

IFRS 9	*Financial Instruments*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7* and IAS 39[3]
IFRS 10, IFRS 12 and IAS 27 (Revised)Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRIC 21	*Levies*[1]
Annual improvements 2010 – 2012 Cycle	Amendments to a number of IFRSs issued in December 2013[4]
Annual Improvements 2011 – 2013 Cycle	Amendments to a number of IFRSs issued in December 2013[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs – *continued*

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

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in November 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs – *continued*

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.3 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.

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 by the acquiree.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Business combinations and goodwill – *continued*

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of non-financial assets – *continued*

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

(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).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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%

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment and depreciation – *continued*

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets – *continued*

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.

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.

2.3 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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. 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 gain” 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.

2.3 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.

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.

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).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of financial assets – *continued*

Financial assets carried at amortised cost – *continued*

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, 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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Provisions – *continued*

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 for the current and prior periods 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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Income tax – *continued*

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.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

(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 27 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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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:

3. SIGNIFICANT ACCOUNTING ESTIMATES – *continued*

Estimation uncertainty – *continued*

(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 2013 was RMB6,619,000 (2012: Nil).

(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 2013 was RMB41,051,000 (2012: RMB15,091,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES – *continued*

Estimation uncertainty – *continued*

(d) 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.

(e) 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 6.55% as at 31 December 2013 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 2013 was RMB9,906,000 (2012: RMB176,000).

(f) 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 2013 was RMB60,973,000 (2012: RMB28,135,000).

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 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:

	2013		2012	
	RMB'000	%	RMB'000	%
One-side-polished slabs	77,963	56	7,706	94
Cut-to-size slabs	24,257	17	—	—
Marble blocks	37,555	27	504	6
	139,775	100	8,210	100

Geographical information

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

	2013	2012
	RMB'000	RMB'000
Domestic*:		
Mainland China	134,951	7,097
Overseas	4,824	1,113
	139,775	8,210

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

The Group's non-current assets are all located in Mainland China.

4. REVENUE AND OPERATING SEGMENT INFORMATION – *continued*

Entity-wide disclosures – *continued*

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:

	2013 RMB'000	2012 RMB'000
Customer A	*	1,048
Customer B	*	1,177

* Less than 10% of the total revenue

5. OTHER INCOME AND GAIN

An analysis of other income and gain is as follows:

	2013 RMB'000	2012 RMB'000
Bank interest income	2,138	169
Foreign exchange gain, net	1,873	—
Miscellaneous	287	41
Total other income and gain	4,298	210

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2013 RMB'000	2012 RMB'000
Interest on bank loans	1,941	2,254
Interest on payables relating to the purchase of mining rights (note 22)	1,984	—
Unwinding of a discount (note 25)	576	—
	4,501	2,254

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2013 RMB'000	2012 RMB'000
Cost of inventories sold		56,597	4,505
Employee benefit expense (including directors' and chief executive's remuneration set out in note 8):			
Wages and salaries		23,696	8,221
Equity-settled share option expense	27	17	—
Welfare and other benefits		1,476	229
Pension scheme contributions			
– Defined contribution fund		2,414	689
Housing fund			
– Defined contribution fund		1,182	244
Total employee benefit expense		28,785	9,383
Depreciation of items of property, plant and equipment	12	3,284	1,388
Amortisation of intangible assets	13	757	2,951
Depreciation and amortisation expenses		4,041	4,339
Minimum lease payments under operating leases:			
– Office		1,536	585
– Warehouses		2,870	481
– Parcels of land located at Shangsheng Village	15(a)	283	34
Auditors' remuneration		1,509	6
Listing fees expensed off		29,494	2,297
Foreign exchange loss/(gain), net		(1,873)	632
Loss on disposal of items of property, plant and equipment		1	84

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

Details of the remuneration of directors and the chief executive, disclosed pursuant to the Rules Governing the Listing of Securities on the HKSE and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2013 RMB'000	2012 RMB'000
Fees	—	—
Other emoluments:		
Salaries, allowances and benefits in kind	1,010	515
Pension scheme contributions	24	17
	1,034	532

(a) Independent non-executive directors

Messrs. Liu Jianhua, Wang Hengzhong and Jin Sheng were appointed as independent non-executive directors on 9 December 2013. There were no emoluments payable to them during the year (2012: 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	Total RMB'000
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	—	—	—	—
	—	1,010	24	1,034
2012				
Executive directors				
Mr. Liu Chuanjia*	—	116	1	117
Mr. Li Dingcheng	—	212	15	227
Mr. Wang Pingyao	—	121	—	121
Mr. Fan Huiming	—	66	1	67
	—	515	17	532
Non-executive director				
Mr. Wu Yun	—	—	—	—
	—	515	17	532

* Mr. Liu Chuanjia was also the chief executive officer of the Company for the two years ended 31 December 2013 and 2012.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2012: Nil).

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 the chief executive (2012: the chief executive), details of his remuneration are set out in note 8(b) above. Details of the remuneration for the year of the remaining four (2012: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	1,227	669
Equity-settled share option expense	6	—
Pension scheme contributions	43	22
	1,276	691

The remuneration of the above non-director and non-chief executive highest paid employees during the year and prior year was below HK$1,000,000.

During the year, share options were granted to two non-director and non-chief executive highest paid employee in respect of their services to the Group, further details of which are included in the disclosure in note 27 to the financial statements. The fair value of such options, which are recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest employees' remuneration disclosures.

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:

	2013 RMB'000	2012 RMB'000
Current – Mainland China		
Charge for the year	12,489	20
Deferred (note 24)	231	(3)
	12,720	17

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

	2013 RMB'000	2012 RMB'000
Profit/(loss) before tax	12,318	(19,404)
Add: disallowed expenses incurred by the Company*	34,637	1,721
Profit before tax generated/(loss before tax incurred) by Hong Kong and PRC subsidiaries	46,955	(17,683)
Tax at the respective statutory tax rates:		
– Mainland China subsidiaries, at 25%	10,448	(4,405)
– Hong Kong subsidiary, at 16.5%	852	(10)
Non-deductible expenses	211	854
Deferred tax assets not recognised:		
– Deductible temporary differences	5,003	529
– Unused tax losses	133	3,029
Income not subject to tax	(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	20
Income tax expense	12,720	17

* Expenses incurred by the Company during the year mainly consist of listing fees and equity-settled share option expense incurred by the Company (2012: listing fees). These expenses are not expected to be tax deductible.

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2013 includes a loss of RMB34,637,000 (2012: RMB1,721,000) which has been dealt with in the financial statements of the Company (note 28).

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share for the year ended 31 December 2013 is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 992,210,587 in issue during the year.

The weighted average number of shares used to calculate the basic loss per share for the year ended 31 December 2013 includes the weighted average number of shares of (a) 2 shares subscribed by Liu's Group as referred to in note 26(a) to the financial statements, (b) 999,999,898 shares capitalised from the Company's share premium as referred to in note 26(b) to the financial statements, and (c) 333,334,000 shares issued upon the Listing as referred to in note 26(c) to the financial statements.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

Loss per share information for the year ended 31 December 2012 was not considered meaningful due to the Reorganisation as described in note 1 to the financial statements.

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 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
Disposals	—	—	(2)	—	—	—	(2)
Transferred	—	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
Disposals	—	—	(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

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 2012							
Cost:							
At 1 January 2012	584	2,125	134	1,400	—	—	4,243
Additions	127	8,364	1,173	1,608	176	1,256	12,704
Transferred	99	840	—	—	—	(939)	—
Disposal	—	(76)	(13)	(31)	—	—	(120)
At 31 December 2012	810	11,253	1,294	2,977	176	317	16,827
Accumulated depreciation:							
At 1 January 2012	45	262	16	59	—	—	382
Provided for the year	210	780	142	256	—	—	1,388
Disposal	—	(18)	(3)	(13)	—	—	(34)
At 31 December 2012	255	1,024	155	302	—	—	1,736
Net carrying amount:							
At 1 January 2012	539	1,863	118	1,341	—	—	3,861
At 31 December 2012	555	10,229	1,139	2,675	176	317	15,091

13. INTANGIBLE ASSETS

Group

	Mining rights RMB'000 note (a)	Exploration and evaluation assets RMB'000 note (b)	Software RMB'000	Total RMB'000
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
31 December 2012				
Cost at 1 January 2012, net of accumulated amortisation	12,006	10,349	—	22,355
Additions	—	2,409	25	2,434
Amortisation provided during the year	(2,950)	—	(1)	(2,951)
At 31 December 2012	9,056	12,758	24	21,838
Analysed as:				
Cost	12,369	12,758	25	25,152
Accumulated amortisation	(3,313)	—	(1)	(3,314)
Net carrying amount	9,056	12,758	24	21,838

13. INTANGIBLE ASSETS – *continued*

Group – *continued*

Notes:

(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.

On 5 February 2013, Jueshi Mining obtained a new mining permit regarding the Yongfeng Mine for a term of 30 years from 5 February 2013 to 5 February 2043 with an annual production capacity of 250,000 cubic meters per annum.

(b) The exploration and evaluation assets comprise costs which are directly attributable to the research and analysis of existing exploration data, conducted topographical and geological surveys; exploratory drilling and sampling and trenching; and activities in relation to commercial and technical feasibility studies. The total exploration and evaluation assets were transferred to mining rights when Jueshi Mining obtained a new mining permit regarding the Yongfeng Mine on 5 February 2013.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	RMB'000	RMB'000
Unlisted investment in ArtGo Investment Limited ("ArtGo BVI"), at cost:*	—	—
Advances to subsidiaries	**223,383**	126,288
	223,383	126,288

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

As at 31 December 2013 and 2012, the amounts due to subsidiaries included in the Company's current liabilities are denominated in RMB, unsecured, interest-free and repayable on demand.

As at 31 December 2013 and 2012, the amounts due from subsidiaries are denominated in USD, 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.

14. INVESTMENTS IN SUBSIDIARIES – *continued*

Particulars of 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	Mainland China 19 October 2011	US$20,000,000	100	Retail and wholesale of decorating materials
Jueshi Mining 江西省珏石(永豐)礦業有限公司	Mainland China 28 December 2009	RMB60,000,000	100	Mining exploration, processing and sale of marble stones
ArtGo Stone (Jiangxi) Co., Ltd. 雅高石材(江西)有限公司	Mainland China 17 September 2013	RMB110,143,800	100	Processing and sale of marble stones; and technical service of stone processing

(1) Xiamen Huijin Stone and ArtGo Stone (Jiangxi) Co., Ltd. are registered as wholly-foreign-owned enterprises under PRC Law.

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

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	Group 2013 RMB'000	Group 2012 RMB'000
Current portion:			
Prepayments in respect of:			
– Office rental		141	126
– Warehouse rental		1,620	961
– Lease of parcels of land located at Shangsheng Village	(a)	819	142
– Purchase of materials and supplies		2,240	331
Deferred listing fees	(b)	—	1,136
Deposits		2,338	881
Interest income receivables		1,033	61
Deductible input value-added tax		711	2,346
Other receivables		1,643	839
		10,545	6,823
Non-current portion:			
Prepayment in respect of the lease of parcels of land located at Shangsheng Village	(a)	11,144	1,958
		21,689	8,781

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 rights to use the said parcels of land for a period of 15 years since the effective dates of the respective lease agreements.

(b) Deferred listing fees represent legal and other professional fees relating to the initial public offering of the Company's shares and they have been deducted from equity when the Company completed the listing of the Company's shares on the Main Board of the HKSE.

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 2012, prepayments represented deferred listing fees incurred for the Listing as further explained in (b) above.

16. PAYMENTS IN ADVANCE

	Group	
	2013	2012
	RMB'000	RMB'000
In respect of the purchase of:		
Property, plant and equipment	**5,116**	1,520
Software	**3,381**	—
Prepaid land lease payments	**2,671**	—
	11,168	1,520

17. RESTRICTED DEPOSITS AND CASH AND BANK BALANCES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand and cash at banks	**711,437**	129,652	**655,029**	12
Time deposits with original maturity of:				
– less than three months	—	25,142	—	—
– over three months	**173,500**	48,000	—	—
	884,937	202,794	**655,029**	12
Less: Restricted deposits for:				
Environmental rehabilitation deposits	**(1,702)**	(1,702)	—	—
	883,235	201,092	**655,029**	12

17. RESTRICTED 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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**229,316**	171,825	—	—
HK$	**655,058**	35	**655,029**	12
US$	**563**	30,934	—	—
	884,937	202,794	**655,029**	12

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.

18. INVENTORIES

	Group	
	2013	2012
	RMB'000	RMB'000
Finished goods	**51,997**	22,966
Work in progress	**8,286**	4,855
Materials and supplies	**690**	314
	60,973	28,135

As at 31 December 2013, the Group's marble blocks with a carrying amount of RMB11,341,000 were pledged as security for the Group's bank loans (2012: RMB3,244,000) (note 23).

19. TRADE RECEIVABLES

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

	Group	
	2013	2012
	RMB'000	RMB'000
Within 1 month	**10,791**	—
1 to 3 months	**4,758**	41
3 to 6 months	**157**	—
	15,706	41

As at 31 December 2013, trade receivables contained retention money receivables of RMB565,000 (2012: Nil).

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 three months for major customers. Specifically, for the sale of cut-to-size slabs, the Group normally requires 20% of sales in advance prior to delivery, 75% of sales to be collected within three months after the delivery of goods. The remaining 5% will be 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 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.

Based on the invoice date, except for trade receivables of RMB157,000 which were less than three months past due, all trade receivables of the Group at the end of the year were neither past due nor impaired. 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.

20. BALANCES WITH RELATED PARTIES

		Group		Company	
	Notes	**2013**	2012	**2013**	2012
		RMB'000	RMB'000	**RMB'000**	RMB'000
Due from related parties:					
Non-trade in nature:					
– Liu's Group	(a)	**197**	—	**197**	—
– Mr. Liu		**—**	1,922	**—**	—
		197	1,922	**197**	—
Trade in nature					
– Xiamen Zhonglianjian	(b)	**—**	400	**—**	—
		197	2,322	**197**	—
Due to related parties:					
Non-trade in nature					
– Mr. Liu		**71**	—	**16**	16
– Liu's Group	(a)	**—**	250,551	**—**	125,710
		71	250,551	**16**	125,726

Notes:

(a) As at 31 December 2013, the amounts due from Liu's Group are denominated in RMB. As at 31 December 2012, the amounts due to Liu's Group denominated in US$ and RMB amounted to RMB172,811,000 and RMB77,740,000, respectively.

The balances with Liu's Group were non-trade, interest-free, unsecured and had no fixed terms of repayment.

During the year ended 31 December 2013, the Company settled the amounts due to Liu's Group via cash repayment of RMB15,873,000 and issue of two ordinary shares (see note 26(a)). On 29 June 2013, the Company issued two ordinary shares to Liu's Group, and the difference between the balance due to Liu's Group as at 29 June 2013 of RMB231,745,000 and the nominal value of the two ordinary shares issued to Liu's Group was credited to the Company's share premium account.

(b) Xiamen Zhonglianjian Decoration Engineering Co., Ltd. ("Xiamen Zhonglianjian") is a company controlled by Mr. Liu.

21. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the year, based on the invoice date, is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Within 1 month	9,146	3,543
1 to 2 months	2,610	345
2 to 3 months	1,791	—
Over 3 months	9,420	—
	22,967	3,888

The trade payables are non-interest-bearing and are normally settled within three months after the Company obtained the invoices issued by suppliers.

22. OTHER PAYABLES AND ACCRUALS

Group

	Note	2013 RMB'000	2012 RMB'000
Current portion:			
Advances from customers		8,618	2,900
Payables relating to:			
Exploration and evaluation assets		1,279	1,279
Purchase of property, plant and equipment		1,263	1,476
Purchase of mining rights	(a)	9,300	—
Transportation fee		—	320
Payroll and welfare		7,485	2,120
Listing fees		28,102	—
Taxes other than income tax		2,644	28
Mineral resources compensation fees		1,874	—
Advertisement fees		900	—
Distributors' earnest monies		790	560
Interest payables relating to:			
Bank loan		214	62
Purchase of mining rights	(a)	1,984	—
Others		1,741	1,115
		66,194	9,860
Non-current portion:			
Payables relating to:			
Purchase of mining rights	(a)	27,900	—
Purchase of property, plant and equipment		—	1,017
		27,900	1,017
		94,094	10,877

22. OTHER PAYABLES AND ACCRUALS – *continued*

Group – *continued*

Note:

(a) The balances represent payables in connection with the purchase of mining rights to the Yongfeng Mine. Pursuant to documents issued by Jiangxi Province Bureau of Land Resource ("JLR"), the total consideration is RMB55,840,000, of which Jueshi Mining settled RMB18,640,000 in January 2013, and will pay the balance by annual instalments of RMB9,300,000 within the next four years from 1 March 2014 to 1 March 2017. The payables to JLR 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., 6.4% per annum.

Except for the payables as described above and payables relating to the purchase of property, plant and equipment which will be settled by 24 instalments within two years, all other payables of the Group are non-interest-bearing and are normally settled on 30-day terms.

Company

As at 31 December 2013, other payables and accruals mainly represented payables relating to professional fees incurred in connection with the Listing. All other payables of the Company are non-interest-bearing and are normally settled on 30-day terms.

23. INTEREST-BEARING BANK LOANS

		Group	
	Notes	2013	2012
		RMB'000	RMB'000
Repayable within one year:			
Secured bank loans	(a)	49,000	28,000
Unsecured bank loans	(b)	65,900	—
		114,900	28,000
Effective interest rate per annum (%)		5.88 - 7.84	7.28

(a) As at 31 December 2013, the bank loans of RMB49,000,000 (2012: RMB28,000,000) were secured by marble blocks with a carrying amount of RMB11,341,000 (2012: RMB3,244,000) with interest rate ranging from 6.44% to 7.84% per annum.

(b) 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.

24. DEFERRED TAX

Group

The movements in deferred tax liabilities are as follows:

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 2012	2,968	—	2,968
Deferred tax credited to profit or loss during the year (note 9)	(3)	—	(3)
At 31 December 2012 and 1 January 2013	2,965	—	2,965
Deferred tax charged/(credited) to profit or loss during the year (note 9)	(215)	446	231
At 31 December 2013	2,750	446	3,196

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

As at 31 December 2013 and 2012, the Group had accumulated tax losses arising in Mainland China of RMB532,000 and RMB12,116,000, respectively, that will expire in five years for offsetting against future taxable profits.

As at 31 December 2013 and 2012, the Group had other temporary differences of RMB22,128,000 and RMB2,117,000 that will be available for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these tax losses and other temporary differences as they have arisen in subsidiaries with loss-making history and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 December 2013, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB5,004,000 (2012: Nil).

25. PROVISION FOR REHABILITATION

	Group	
	2013	2012
	RMB'000	RMB'000
At the beginning of year	176	—
Additions	9,154	176
Unwinding of a discount (note 6)	576	—
At the end of year	9,906	176

26. SHARE CAPITAL

Shares

	2013	2012
	RMB'000	RMB'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.01 each (2012: 5,000,000 ordinary shares of HK$0.01 each)	23,651	41
Issued and fully paid:		
1,333,334,000 ordinary shares of HK$0.01 each (2012: 100 ordinary shares of HK$0.01 each)	10,492	—

The following changes in the Company's authorised and issued share capital took place during the year:

Authorised share capital:

Pursuant to the shareholders' resolution passed on 9 December 2013, the authorised share capital of the Company was increased from HK$50,000 divided into 5,000,000 ordinary shares of HK$0.01 each to HK$30,000,000 divided into 3,000,000,000 ordinary shares of HK$0.01 each.

26. SHARE CAPITAL – *continued*

Shares – *continued*

Issued and fully paid share capital:

	Notes	Number of ordinary shares	Nominal value of ordinary shares RMB'000
At 1 January 2013		100	—
Issue of new shares	(a)	2	—
Capitalisation of share premium account	(b)	999,999,898	7,869
Issue of new shares	(c)	333,334,000	2,623
As at 31 December 2013		1,333,334,000	10,492

Notes:

(a) On 29 June 2013, Liu's Group subscribed for two ordinary shares by way of capitalisation of an amount due to Liu's Group of RMB231,745,000 (note 20(a)).

(b) Pursuant to the shareholders' resolution passed on 9 December 2013, an aggregate of 999,999,898 shares of HK$0.01 each of the Company were allotted and issued, credited as fully paid at par, by way of capitalisation of a sum of RMB7,869,000 from the share premium account to the Company's shareholders on 30 December 2013.

(c) In connection with the Listing, 333,334,000 shares of HK$0.01 each were issued at a price of HK$2.65 per share for a total cash consideration of HK$883,335,000 (equivalent to approximately RMB695,123,000) before share issue expenses.

The proceeds of HK$3,333,000 (equivalent to approximately RMB2,623,000), representing the par value, have been credited to the Company's share capital and the remaining proceeds of HK$880,002,000 (equivalent to approximately RMB692,500,000) have been credited to the share premium account.

27. 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 is conditionally upon Listing and, unless otherwise cancelled or amended, will remain in force for 42 months from that date.

On 30 December 2013, in consideration of HK$1.00 from each grantee, options to subscribe for an aggregate of 16,666,675 shares at a subscription price per share, equivalent to 10% discount of the offer price of HK$2.65 per share had been granted to seven grantees under the Pre-IPO Share Option Scheme. The percentage of options granted to each grantee under the Pre-IPO Share Option Scheme shall vest, and upon vesting become exercisable in the following manner: (a) 10%, after 6 months from the grant date; (b) 10%, after 18 months from the grant date; (c) 40%, after 30 months from the grant date; and (d) 40%, after 42 months of the grant date.

27. SHARE OPTION SCHEMES – *continued*

The exercise period of the share options granted under the Pre-IPO Share Option Scheme is subject to the shareholders of the Company in a general meeting approving any necessary increase in the authorised share capital of the Company, and commences after a vesting period of 6 months to 42 months and ends on 30 June 2018.

In addition, the Company also operates a new share option scheme (the "Share Option Scheme) which has been conditionally adopted by the written resolutions of the shareholders of the Company on 9 December 2013. The exercise price of share options under the Share Option Scheme is determinable by the board of directors, but may not be less than the highest of (i) the HKSE closing price of the Company's shares on the date of offer of the share options; (ii) the average HKSE closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share. The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of total number of shares in issue of the Company. The Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption. As at 31 December 2013, no share options were granted under the Share Option Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The exercise prices and exercise periods of the share options outstanding under the Pre-IPO Share Option Scheme as at 31 December 2013 (2012: Not applicable) are as follows:

Number of options	Exercise price per share (HK$)	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 year under the Pre-IPO Share Option Scheme was HK$16,744,000 (equivalent to approximately RMB13,176,000) or approximately HK$1.00 each (equivalent to approximately RMB0.79 each), of which the Group recognised a share option expense of HK$21,000 (equivalent to approximately RMB17,000) during the year ended 31 December 2013 (2012: Not applicable).

The fair value of the equity-settled share options granted during the year 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.

27. SHARE OPTION SCHEMES – *continued*

At the end of the reporting period, the Company had 16,666,675 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 16,666,675 additional ordinary shares of the Company and additional share capital of HK$166,667 and share premium of HK$39,666,686 (before issue expenses).

At the date of approval of these financial statements, the Company had 16,666,675 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 1.25% of the Company's shares in issue as at that date.

28. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 52 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 Jueshi Mining's articles of association, Jueshi Mining is 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.

28. RESERVES – *continued*

Group – *continued*

(d) Contributed surplus

The contributed surplus as at 31 December 2013 and 2012 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.

Company

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

	Notes	Share premium account RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2012		—	—	(1,239)	(1,239)
Total comprehensive loss for the year		—	—	(1,721)	(1,721)
At 31 December 2012 and 1 January 2013		—	—	(2,960)	(2,960)
Total comprehensive loss for the year		—	—	(34,637)	(34,637)
Issue of new shares	26(a)	231,745	—	—	231,745
Capitalisation of share premium account	26(b)	(7,869)	—	—	(7,869)
Issue of new shares	26(c)	692,500	—	—	692,500
Share issue expenses		(49,468)	—	—	(49,468)
Equity-settled share option arrangement	27	—	17	—	17
At 31 December 2013		866,908	17	(37,597)	829,328

29. 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 2013 and 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as the follows:

	Group	
	2013 RMB'000	2012 RMB'000
Within one year	3,110	1,573
In the second to fifth years, inclusive	7,114	6,730
	10,224	8,303

30. COMMITMENTS

The Group had the following capital commitments at the end of the year:

	Group	
	2013 RMB'000	2012 RMB'000
Contracted, but not provided for:		
– Plant and equipment	8,078	2,133
– Intangible assets	1,762	—
– Prepaid land lease payments	10,122	—
	19,962	2,133

31. RELATED PARTY TRANSACTIONS

(a) During the years ended 31 December 2013 and 2012 , the Group had the following material transactions with related parties:

Name of related parties	Notes	2013 RMB'000	2012 RMB'000
Sales of goods:			
Xiamen Zhonglianjian	(i)	374	342
Xiamen Global	(i)	—	8
		374	350
Office rental:			
Xiamen Zhonglianjian	(ii)	542	246
Loan provided by/(repayment of loan to) Liu's Group (note 20)	(iii)	(15,873)	250,551

Notes:

(i) Xiamen Global Power Import and Export Co., Ltd. ("Xiamen Global") was a company controlled by Mr Liu's brother. The share interests of Xiamen Global were transferred to an independent third party in August 2012. The directors consider that sales to related parties were undertaken on commercial terms similar to those offered to unrelated customers in the ordinary course of business.

(ii) 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.

(iii) The directors of the Company consider that the interest-free loan provided by Liu's Group was conducted based on terms more favourable than terms available from an independent third party. The aforesaid loan was partially settled in cash during the year ended 31 December 2013, and the remaining balance was capitalised via two new ordinary shares issued by the Company to Liu's Group on 29 June 2013.

31. RELATED PARTY TRANSACTIONS – *continued*

(b) Outstanding balances with related parties

Details of the Group's and the Company's balances with their related parties as at 31 December 2013 and 2012 are disclosed in note 20 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:

	2013 RMB'000	2012 RMB'000
Basic salaries and other benefits	**2,942**	1,241
Equity-settled share option expense	**14**	—
Pension scheme contributions	**77**	38
	3,033	1,279

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash at banks, trade and other receivables, and amounts due from related parties, which arise directly from its operations. Financial liabilities of the Group mainly include trade and other payables, amounts due to related parties 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 and other receivables and amounts due from related parties 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 and amounts due from related parties, 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.

32. 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 at 31 December 2013, the Group had a concentration of credit risk as 73% of the Group's trade receivables of approximately 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 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 an amount due to the holding company and certain 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$, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair value of cash and bank balances denominated in US$ and HK$ and an amount due to the holding company denominated in US$).

	2013 RMB'000	2012 RMB'000
Increase/(decrease) in profit before tax:		
If RMB weakens against US$	52	(7,094)
If RMB strengthens against US$	(52)	7,094
If RMB weakens against HK$	32,753	—
If RMB strengthens against HK$	(32,753)	—

32. 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 funding from the holding company.

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 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 related parties	71	—	—	—	71
	64,717	14,189	117,737	31,471	228,114

	31 December 2012				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 2 years RMB'000	Total RMB'000
Interest-bearing bank loans	—	2,284	26,485	—	28,769
Trade payables	3,888	—	—	—	3,888
Other payables and accruals	6,260	369	1,107	1,017	8,753
Due to related parties	250,551	—	—	—	250,551
	260,699	2,653	27,592	1,017	291,961

32. 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 23.

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.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

At the end of 2013 and 2012, 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 have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2014.

SUMMARY OF FINANCIAL INFORMATION

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 and 2013, as extracted from the published audited financial statements, is set out below.

Results

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

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