



雅高控股

ARTGO HOLDINGS

ARTGO HOLDINGS LIMITED

雅高控股有限公司

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 3313

Interim Report

2015

# CONTENTS

2	CORPORATE INFORMATION
4	CHAIRMAN STATEMENT
8	MANAGEMENT DISCUSSION AND ANALYSIS
17	OTHER INFORMATION
23	REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION
25	INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
26	INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
28	INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
29	INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
31	NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. LIU Chuanjia (*Chairman*)

Mr. WU Wenzhen (吳文珍) (*Chief Executive Officer*)

Mr. LI Dingcheng (李定成)

Mr. HAN Yingfeng (韓英峰)

### Non-executive Director

Mr. WU Yun (吳雲)

### Independent Non-executive Directors

Mr. LIU Jianhua (劉建華)

Mr. WANG Hengzhong (王恒忠)

Mr. JIN Sheng (金勝)

## AUTHORISED REPRESENTATIVES

Mr. LIU Chuanjia

Ms. AI Qinghua

## AUDIT COMMITTEE

Mr. WANG Hengzhong (*chairman*)

Mr. JIN Sheng

Mr. LIU Jianhua

## REMUNERATION COMMITTEE

Mr. JIN Sheng (*chairman*)

Mr. LIU Chuanjia

Mr. WANG Hengzhong

## NOMINATION COMMITTEE

Mr. LIU Chuanjia (*chairman*)

Mr. JIN Sheng

Mr. LIU Jianhua

## JOINT COMPANY SECRETARIES

Ms. CHEUNG Yuet Fan ACS, ACIS

Ms. AI Qinghua

## REGISTERED OFFICE

PO Box 309

Ugland House

Grand Cayman KY1-1104

Cayman Islands

## HEADQUARTERS

13 & 23/F, Tower B, Haifu Center

No. 599 Sishui Road

Huli District

Xiamen, PRC 361016

## HONG KONG BRANCH OFFICE

Unit 504A, 5/F, ICBC Tower

3 Garden Road, Central

Hong Kong

## 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

Li, Wong, Lam & W. I. Cheung

22nd Floor, Infinitus Plaza

199 Des Voeux Road Central

Hong Kong

## AUDITORS

Ernst & Young

## 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  
Huli District  
Xiamen  
PRC

China Citic Bank  
Xiamen Branch, Fushan Sub-branch  
No. 1222 Xiahe Road  
Siming District  
Xiamen  
PRC

## STOCK CODE

3313

## WEBSITE AND CONTACT

[www.artgo.cn](http://www.artgo.cn)

### Xiamen Headquarters

Address: 13 & 23/F, Tower B, Haifu Center,  
No. 599 Sishui Road, Huli District, Xiamen,  
Fujian Province, China

Tel: +86 592 2103888

Fax: +86 592 2132888

### Hong Kong Office

Address: Unit 504A, 5/F, ICBC Tower, 3 Garden Road,  
Central, Hong Kong

Tel: +852 3529 1512

Fax: +852 3529 2542

## CHAIRMAN STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors of ArtGo Holdings Limited ("ArtGo Holdings" or the "Company", together with its subsidiaries referred to as the "Group"), I am pleased to present the unaudited interim results of the Group for the six months ended 30 June 2015 (the "Review Period").

### FINANCIAL RESULTS

As at 30 June 2015, the revenue of the Group was RMB150.1 million, representing a decrease of 31.5% as compared to RMB219.1 million for the corresponding period of previous year. During the Review Period, the gross profit decreased by RMB59.7 million to RMB83.6 million from RMB143.3 million as recorded for the corresponding period of previous year. The decrease of revenue was mainly attributable to the delay in development of certain property projects in the Review Period, and the decrease of gross profit was mainly due to a decrease in the average selling price due to the Group sold some inventories with a relatively long age in its inventory management for the first half of the year. Meanwhile, for certain construction projects, the construction company will be engaged in the procurement of marble from other suppliers, the gross profit margin of which is relatively low. During the Review Period, the Group recorded net profit of RMB40.1 million, representing a decrease of 44.8% as compared to RMB72.6 million of last year. The decrease in net profit was in line with the decrease in revenue.

### BUSINESS REVIEW

During the Review Period, the Group was able to further strengthen its presence in the domestic marble market by launching the new brand "ArtMore" for B2C business. Besides, the Group also continued to communicate with stone market players to discuss on the future development trajectory of this market, and established flexible development strategies accordingly, seeking to create more diversified business opportunities in the PRC stone market, while ensuring its solid leading position in such market.

In March 2015, the Group revealed the new retail brand "ArtMore" for B2C business for the first time at the International Stone Exhibition held at Xiamen, Fujian province, the PRC. This revelation aimed to make presence in the retail market of home decoration stones. Highlighted with natural, simple and delicate design styles, "ArtMore" has been positioned as a mid-to-high-end brand, offering standard cut-to-size marble slabs, sanitary products, household furnitures and other standard marble products. In addition, customized and integrated space solution services were also available for our customers under this brand. On 29 May 2015, we held a release conference at Xiamen to officially launch "ArtMore" brand.



In May 2015, our large stone experience store near the airport of Xiamen kicked off officially to exhibit “ArtMore” series of products, which perfectly displayed the natural beauty of stone products. “ArtMore” series of products cater to the various requirements from different customers who seek fashionable lifestyles. The Group will also continue enhancing its design capability, enabling it to release more diversified marble products and to facilitate rapid expansion in the downstream market. We are dedicated to illustrating the fashionable lifestyle in a totally new way through such living designs as originally reflect the gracious and precious colors of marble and their diversified unique texture. This will open a thoroughly new chapter for the retail and e-commerce market of home decoration stones in the PRC.

In addition to building new retail brands, the Group also focused on establishing close relationship with various social resources. In particular, the Group held the first suppliers meeting in April 2015 to form strategic cooperation with 47 suppliers across the country, thus reducing supply chain costs and achieving its sound development in a long term. Meanwhile, in order to effect close communications with the industry peers, the Group held the first Strategic Alliance Conference of Mining Resources in China (中國礦山資源戰略聯盟大會) with the Mining Committee of All-China Federation of Industry & Commerce, Stone Chamber (全國工商聯石材業商會礦山委員會) in June 2015, at which, the Group was able to share resources with hundreds of leading mining enterprises and the best market players in the stone industry and to have further discussion on development trend and business opportunities of the stone sector in China. Furthermore, the Conference also enabled the Group to join hands with quality miners to create a nationwide large-scale downstream distribution network by leveraging on its advantages of design, service and sales channel.

In the meantime, as inspired by desire for innovation, the Group has launched the first comprehensive stone trading platform of “China Stone Database & Exchange” for B2B market in the industry under the link <http://www.wdscw.com/> in July 2015, capitalizing on the development tendency of “Internet+” and O2O business model. In addition, the Group also launched a new B2C “ArtMore” e-commerce sales platform in JD.com (京東商城) under the link <http://mall.jd.com/index-137401.html>.

The platform of “China Stone Database & Exchange” is mainly operated to collect various data of the stone industry, provide information of supply, pricing and inventory of stones for the market, and offer subscription-based trading and consultation service with big data, in order to allow users to trade stones through the platform. The platform aims to become a comprehensive platform with integrated functions which include information sharing, product launch, technical support, design service, interactive training and supply chain financing for the industry, and to consolidate upstream stone resources, realize information sharing of multi-parties, leverage complementary competencies, create synergy and fully expand the scope of industry chain.

In respect of products, the Group mainly provides marble blocks, one-side-polished slabs and cut-to-size slabs. During the Review Period, the sales volume of marble blocks reached 10,708 cubic meters, with sales value of RMB57.0 million, accounting for 38.0% of total sales; the sales volume of one-side-polished slabs was 215,307 square meters, with sales value of RMB47.3 million, accounting for 31.5% of total sales; the sales volume of cut-to-size slabs was 156,960 square meters, with sales value of RMB45.9 million, accounting for 30.5% of total sales. Starting from the first half of 2015, the Group has launched new products under the new B2C brand “ArtMore” to increase the revenue.



## LOOKING INTO THE FUTURE

Looking ahead, the Group will base on its substantial amount of high-quality marble reserves and extensive industry experience to continue fully integrating every aspect of upstream and downstream of the marble industry and expanding the business from upstream mining to downstream, establishing a stone trading platform which relies on resources and focuses on brand, marketing networks and channels. By integrating global resources, the Group is expected to become the industry benchmark, forming vertically integrated marble business value chain.

In respect of the upstream business, the Group will continue to strengthen its cooperation with industry peers. The first B2C website “China Stone Database & Exchange” for the stone industry effectively integrates the upstream superior mining resources from both domestic and overseas market, and strategic cooperation is established with quality stone dealers, providing the Group stronger control over the upstream value chain. Currently, the Group owns the Yongfeng Mine at Jinggangshan, Jiangxi Province, which is the largest marble mine in China occupying 7.5% of the total marble resources of the country. The Mine is open-pit mining with transportation facilities and infrastructures well established.



In respect of the middle stream, to match with the launch of “ArtMore”, which specifically targeting B2C market, and for quality assurance, the Group is currently working with industry leading processing plants. The Group has dispatched professional management team to closely monitor product quality to ensure the consistency. The Group is now in the process of building its own processing plant which is only 62 kilometers away from the Mine. Upon completion of the processing plant, transportation costs are expected to drop significantly. The new processing plant is estimated to commence production in 2016, and by then production cost will be much lower and the Group will be capable of producing more marble products with higher added-value.

In respect of the downstream business, the two brands owned by the Group, namely “ArtGo” and “ArtMore”, are targeting construction market and home decoration market, respectively. More diversified and vast sales channels for these two brands will be developed by the Group during the second half year. “ArtGo”, positioned as a brand for the B2B construction market, is the largest revenue contributor for our traditional business. The Group is seeking for cooperation with more property developers to strengthen its capacity in direct sales and distribution, while increasing its presence of the “ArtGo” brand in the domestic market. The Group owns the largest marble distribution network in China under our “ArtGo” brand. As at 30 June 2015, there are 121 distributors in total, spreading over 29 provinces and autonomous regions and 95 cities across China. As the Group will continue to expand its sales network in the second half of 2015, its market penetration rate is expected to continue increasing.

As for the “ArtMore” brand which was newly established by the Group in May during the year, with the B2C home decoration market as the target market, its sales will be realized through the O2O model. In addition to opening online stores in “JD.com (京東商城)” and “Tmall (天貓)”, the Group will also establish strategic cooperation with large-sized home decoration e-commerce platforms to develop stone-related home decoration market. In terms of offline, the Group will allocate substantial resources on developing the nationwide distribution network. Those distributors owning established stores will act as agencies for our products and promote sales of our unique product series in physical stores under relevant cooperation arrangement. In addition, the Group seeks to further explore the downstream sales channel through cooperation with various international design institutions.

Looking forward, the Group is committed in bringing more significant returns to shareholders through continuous devotion to business development, with the core value of respecting the nature with a humble heart, contributing the society with gratitude, working in modest attitude, and embracing win-win propositions when collaborating with our partners. The Group wishes to lead the development of the marble industry and to introduce fashionable and quality marble products to the lives of public.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our staff for their efforts and dedicated services, and to the Group’s shareholders, investors, partners and clients for their trust and continuing supports. We are aware of our heavy responsibility. While pursuing for the happiness in both of the material and spiritual aspects among the entire staff, we will also try our best and explore every means to make contributions to the society.

**Liu Chuanjia**

*Executive Director, Chairman*

Hong Kong, 31 August 2015



In February 2013, the Group launched large-scale commercial production at a marble mine (“Yongfeng Mine”) situated in Yongfeng County, Jiangxi Province in China. During the six months ended 30 June 2015, the Group has extracted a total of 18,937 cubic meters of marble blocks in the Yongfeng Mine. We have developed two operating mining areas in the Yongfeng Mine, namely North #1 and North #4 mining areas. There are eight benches in North #1 mining areas and six benches in North #4 mining areas. Benefiting from a favourable geographical environment, the ideal geological conditions of the Yongfeng Mine and based on the good foundation we laid on our mine, we are very confident in the mining of the Yongfeng Mine in the future.

As at the date of this report, the Group has a distribution network of total 121 distributors, covering 95 cities across 29 provinces and autonomous regions in the People’s Republic of China (the “PRC” or “China”). In addition, the Group has further enhanced and expanded its direct sales channels. The Stone Experience Store of the Company under the brand of “ArtMore” was opened on 29 May 2015 in Xiamen, focusing on the integration of the innovative design of stone and home decoration. We hope to visually set the trend among consumers using stones with this store. To provide customers with more comprehensive marble products, we are also actively seeking marble resources that can bring synergies to the Group and provide a useful complement to existing products in terms of colours.

### RESOURCES AND RESERVES

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

<b>Resources</b>	<b>Millions of cubic meters</b>
Measured	51.3
Indicated	46.6
Inferred	8.8
Total	106.7

  

<b>Reserves</b>	<b>Millions of cubic meters</b>
Proved	23.1
Probable	21.0
Total	44.1

The Company did not have exploration activities during the Review Period (for the six months ended 30 June 2014: Nil). In the Review Period, there was no capital expenditure of the Yongfeng Mine incurred (for the six months ended 30 June 2014: RMB0.7 million).

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

### REVENUE

During the Review Period, the Group recorded an operating revenue of approximately RMB150.1 million, representing a decrease of approximately RMB69.0 million compared to the corresponding period of the previous year, mainly due to the following: (i) the mining volume of the Yongfeng Mine decreased from 29,085 cubic meters in the corresponding period in 2014 to 18,937 cubic meters in the Review Period; (ii) the production volume of one-side-polished slabs decreased from 631,668 square meters in the corresponding period in 2014 to 266,087 square meters in the Review Period; and (iii) the production volume of cut-to-size slabs decreased from 310,208 square meters in the corresponding period in 2014 to 56,708 square meters in the Review Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (a) Sales by product categories

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

	For the six months ended 30 June					
	2015 (Unaudited)			2014 (Unaudited)		
	RMB'000	%	Gross profit margin (%)	RMB'000	%	Gross profit margin (%)
Marble blocks	56,995	38.0	79.0	21,457	9.8	88.0
One-side-polished slabs	47,279	31.5	49.5	46,910	21.4	58.2
Cut-to-size slabs	45,868	30.5	33.1	150,713	68.8	64.5
Total	150,142	100.0	55.7	219,080	100.0	65.4

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

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

	For the six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
<b>Sales volume</b>		
Marble blocks (m <sup>3</sup> )	10,708	3,676
One-side-polished slabs (m <sup>2</sup> )	215,307	198,926
Cut-to-size slabs (m <sup>2</sup> )	156,960	351,104
<b>Average selling price</b>		
Marble blocks (RMB/m <sup>3</sup> )	5,323	5,837
One-side-polished slabs (RMB/m <sup>2</sup> )	220	236
Cut-to-size slabs (RMB/m <sup>2</sup> )	292	429

The unit selling price of marble blocks decreased by approximately 8.8% comparing to that of the corresponding period of 2014, which was mainly due to: (i) some discounts were provided for marble blocks, given changes of color and texture due to natural causes; and (ii) in order to satisfy additional market demand for color and texture, a couple of marble blocks with lower quality were purchased and sold, leading to the lower unit selling price.

The unit selling price of one-side-polished slabs decreased by approximately 6.8% comparing to that of the corresponding period of 2014, which was mainly due to promotion of certain products with a relatively long age to secure more market shares.

The unit selling price of cut-to-size slabs decreased by approximately 31.9% comparing to that of the corresponding period of 2014, which was mainly due to most of corporate customers during the Review Period were engaged in renovation constructions and had different quality requirements for our products from primary corporate customers engaged in real estate development in the corresponding period in 2014, leading to adjustments made to our product mix and relatively lower unit selling price.

## COST OF SALES

The Group's cost of sales amounted to approximately RMB66.6 million, including the processing costs, which represented approximately 29.0% of the cost of sales; marble blocks mining costs, which represented approximately 17.5% of the cost of sales; and transportation costs, which represented approximately 5.2% of the cost of sales. During the Review Period, the decrease in cost of sales was in line with the decrease in sales and production volume.

### Processing costs

The processing costs of the Group represented the processing fees paid to processors for processing marble blocks into one-side-polished slabs and one-side polished slabs into cut-to-size slabs. The processing fees per unit of one-side-polished slabs in the Review Period were approximately RMB61.3, compared to the processing fees of approximately RMB60.0 in the corresponding period in 2014. The processing fees per unit of cut-to-size slabs were approximately RMB52.7 in the Review Period, compared to the processing fees of approximately RMB22.0 in the corresponding period in 2014. The increase in the processing fees per unit of cut-to-size slabs in the Review Period was mainly due to: (i) as the processing volume of cut-to-size slabs decreased from 310,208 square meters during the corresponding period in 2014 to 56,708 square meters during the Review Period, the bargaining power against processing supplier was declined, leading to increase in unit cost; and (ii) in order to satisfy market demand, the Group always commits to improve the quality and variety of cut-to-size slabs, and engaged a couple of new suppliers which are capable of providing higher processing technique during the Review Period, leading to higher unit cost.

### Marble blocks mining costs

In the Review Period, marble blocks mining costs of the Group mainly included mining labour costs, materials consumption, fuel, electricity supply, depreciation of production equipment, and amortization of mining rights. The unit production costs of marble blocks increased by approximately 2.2% compared to the corresponding period in 2014.

### Transportation costs

Transportation costs included: (i) long-distance transportation fees for transporting marble blocks from the blocks yard of the Yongfeng Mine to Shuitou, Fujian, the processing centre; and (ii) short-distance transportation fees for transporting marble blocks to the transit yard and transportation allocation between the warehouse in Shuitou and processors according to our production and processing plan. Transportation costs accounted for approximately 5.2% and 10.3% of the production costs for the Review Period and corresponding period in 2014, respectively.

## GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group in the Review Period decreased by approximately RMB59.7 million as compared to that of corresponding period of 2014. The gross profit margin in the Review Period was approximately 55.7%, while the gross profit margin in corresponding period of 2014 was approximately 65.4%. The decrease in the gross profit margin was mainly due to the combined effect of increase in product cost per unit of marble slabs and the increasing proportion of marble and slabs purchased from external suppliers with lower gross profit margin.

## OTHER INCOME AND GAINS

Other income and gains mainly included interest income from bank deposits. Interest income amounted to RMB11.3 million and government grant amounted to RMB1.5 million for the Review Period.

## SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses, mainly comprised of salaries of the Group's sales and distribution staff, travelling expenses, advertising costs and office rents, were approximately RMB14.8 million, representing approximately 9.8% of the revenue in the Review Period, while the selling and distribution expenses of RMB12.9 million in the corresponding period in 2014 accounted for approximately 5.9% of the revenue in the corresponding period in 2014. The selling and distribution expenses in the Review Period were increased by RMB1.8 million compared to that of the corresponding period, mainly due to the increased rental expense for experience store of RMB0.6 million and the promotion expenditure spending on the new brand "ArtMore" aggregated to RMB0.9 million. The increase in the percentage of selling and distribution expenses was mainly due to the combined effect of an increase of RMB1.8 million in selling and distribution expense and the decrease in the revenue.

## ADMINISTRATIVE EXPENSES

Administrative expenses, mainly comprised of salaries of administrative staff, amortization of share options, consultancy fees and mineral resources compensation fee, were approximately RMB19.9 million, accounting for approximately 13.3% of the revenue in the Review Period. The administrative expenses were RMB19.8 million in the corresponding period in 2014, accounting for approximately 9.0% of the revenue for the corresponding period in 2014.

## FINANCE COSTS

Finance costs mainly included interests on bank loans, interests on discounted bills, interest expenses on installment payment from the acquisition of mining rights and related interests of rehabilitation. The finance costs increased from RMB7.9 million in the corresponding period in 2014 to RMB8.0 million in the Review Period, mainly due to increased interest on discounted bills.

## HUMAN RESOURCES AND REMUNERATION POLICY

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

As at 30 June 2015, the total number of full-time employees of the Group was 413 (as at 30 June 2014: 405). Total employee costs (including the directors' remunerations) amounted to RMB23.2 million for the Review Period (for the six months ended 30 June 2014: approximately RMB26.9 million). Taking into account of the strategic goal of the Group, operating results, efforts and contributions made by each of executive directors, senior management and other employees, and for the purposes of recognizing their value, motivating for better performance and skills, maintaining the Company's fast-growing development and achieving its long and short-term goals, the remunerations are in line with the market performance and the corresponding qualifications and abilities, and adjustments are made according to varied percentage, and the staff costs had a slightly decrease in the Review Period. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale.

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 Review Period, the contributions of approximately RMB1.1 million (for the six months ended 30 June 2014: RMB1.4 million) were charged to the profit and loss as they became payable in accordance with the rules of the central pension scheme.

On 9 December 2013, the Company adopted a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") (collectively, the "Share Option Schemes"). As at 30 June 2015, 12,000,006 share options had been granted and remained outstanding under the Pre-IPO Share Option Scheme and no share option had been granted under the Share Option Scheme.

On 20 April 2015, the Company adopted a share award scheme (the "Share Award Scheme") to reward the eligible participants, including the employees, directors, suppliers, customers and business partners of the Group, for their contributions to the Group, to provide competitive incentive package for retaining and attracting suitable personnel for the further development of the Group and to align the interests of such eligible participants with those of the shareholders of the Company ("Shareholders") through the grant of the award. Since the adoption of the Share Award Scheme and up to the date of this report, no awards have been granted under the Share Award Scheme.

Further, on 5 May 2015, the Company adopted a sales incentive scheme (the "Sales Incentive Scheme") to motivate all employees of the Group and any other parties who will contribute to the sales and marketing development of the Group as determined by the Board to actively participate in the Group's marketing activities, by leveraging their network resources and referring business opportunities to the Group for sales of marble products of the Group's own mine. Under the Sales Incentive Scheme, an eligible participant will receive a referral fee ranging from 5% to 10% of the project sales in recognition of his or her effort in referring the business opportunities to the Group.

### **INCOME TAX EXPENSE**

Income tax expense decreased from approximately RMB29.7 million for the six months ended 30 June 2014 to approximately RMB11.5 million for the Review Period, mainly due to the decreased taxable profits generated by the Group's subsidiaries in the PRC.

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

The net profits attributable to owners of the Company during the Review Period amounted to approximately RMB40.1 million, compared to RMB72.6 million for the corresponding period in 2014. The decreased net profits were in line with the decrease in revenue during the Review Period.

## NET CASH FLOWS FROM OPERATING ACTIVITIES

Net cash inflows from operating activities for the Review Period were approximately RMB109.9 million (for the six months ended 30 June 2014: net cash inflows of approximately RMB78.3 million), primarily due to: (i) a profit before tax of approximately RMB51.5 million; (ii) increase in trade and bills payables of RMB44.4 million and increase in other payables and accruals of RMB1.1 million; (iii) decrease in trade and bills receivables of RMB11.2 million and decrease in the prepayment, deposit and other receivables of RMB8.8 million; and (iv) the interest income received of RMB10.8 million. The increase in operating cash inflows was partially offset by the payment of income tax and interest expenses aggregated to RMB21.4 million.

## NET CASH FLOWS USED IN INVESTING ACTIVITIES

Net cash outflows used in investing activities for the Review Period were approximately RMB36.0 million (for the six months ended 30 June 2014: net cash outflows of approximately RMB474.5 million), which primarily included: (i) increase of time deposits with a term over three months of approximately RMB15.8 million; (ii) increase of pledged time deposits of approximately RMB7.7 million; (iii) the payment for instalment of mining right of RMB9.3 million; and (iv) the payment for purchase of property, plant and equipment of RMB3.1 million.

## NET CASH FLOWS USED IN FINANCING ACTIVITIES

Net cash outflows used in financing activities for the Review Period were approximately RMB25.9 million (for the six months ended 30 June 2014: net cash outflows of approximately RMB25.9 million), which was primarily used for repayment of bank loans.

## INVENTORIES AND TURNOVER DAYS

The Group's inventories decrease by approximately 0.7%, from approximately RMB69.9 million as at 31 December 2014 to approximately RMB69.4 million as at 30 June 2015. The inventory turnover days of the Group were stable and slightly increased from 187 in 2014 to 188 in the Review Period.

## TRADE AND BILLS RECEIVABLES AND TURNOVER DAYS

The Group's trade and bills receivables decreased from approximately RMB61.8 million as at 31 December 2014 to approximately RMB49.3 million as at 30 June 2015. The decrease was primarily due to the decrease in sales revenue. Compared to 33 days in 2014, the trade receivables turnover days for the Review Period were 66 days. The increase in trade receivables turnover days was primarily due to the delay on collection of balance from corporate customers influenced by the recession of the property industry.

## TRADE AND BILLS PAYABLES

The Group's trade and bills payables increased by approximately RMB44.3 million from approximately RMB130.5 million as at 31 December 2014 to approximately RMB174.8 million as at 30 June 2015, which was primarily due to the use of banker's acceptance bills to settle intra-group procurement payment during the Review Period.

## NET CURRENT ASSETS

Net current assets of the Group increased by 2.4% from approximately RMB842.0 million as at 31 December 2014 to approximately RMB862.6 million as at 30 June 2015, which was primarily due to the net profits realized during the Review Period.

## CURRENT RATIO

The current ratio, being current assets over current liabilities, was 3.4 as at 30 June 2015 (31 December 2014: 3.5). The current ratio decreased primarily due to increases in trade and bills payables which are yet outstanding at the end of the Review Period.

## BORROWINGS

The Group generally finances its operations with internally generated cash flows and banking credit facilities. As at 30 June 2015, the Group had total bank loans of RMB100.0 million (31 December 2014: RMB125.9 million).

## GEARING RATIO

The Group's gearing ratio equals to its net debt (total debts net of cash and bank balances) divided by total equity. Total debt is defined as interest-bearing bank and other loans and it excludes liabilities incurred for working capital purposes. As at 30 June 2015 and 31 December 2014, the Group's cash and bank balances exceeded the interest-bearing bank loans, respectively. As such, no gearing ratios as at 30 June 2015 and 31 December 2014 are presented.

## CAPITAL EXPENDITURE

The Group's ability to maintain and increase its sales and profits depends upon continued capital spending. Capital expenditures are used to purchase mining rights, land, property, plant and equipment. For the Review Period, the Group's expenditure for: (a) the construction of infrastructures and the purchase of property, plant and equipment for a total amount of RMB3.1 million; and (b) the installment expenses for mining rights in a total amount of RMB9.3 million.

## FOREIGN EXCHANGE EXPOSURE

The Group's businesses are located in Mainland China and most of the transactions were denominated in RMB, except for an amount due to the certain cash at banks are denominated in HK\$ and US\$. As such, the Group has limited exposure to any significant foreign currency exchange risks. The Board does not expect any material impact on the Group's operations caused by any foreign currency fluctuations. No financial instruments were employed by the Group for hedging purpose during the Review Period.

## PLEDGE OF ASSETS

The Group had banking deposits of approximately RMB43.7 million (31 December 2014: RMB36 million) to issue banker's acceptance bills and letter of credit of 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 of the Company (the "Shares") amounted to approximately HK\$833.0 million (equivalent to approximately RMB655.5 million). The net proceeds will be applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the prospectus of the Company dated 16 December 2013 (the "Prospectus"). As at 30 June 2015, the utilized net proceeds were approximately RMB7.0 million (details as follow) and the remaining proceeds were deposited with licensed banks as short-term deposits or time deposits in the PRC and Hong Kong, respectively.

	<b>Remaining as at 30 June 2015 RMB million</b>	<b>Utilised during the Review Period RMB million</b>
Working capital and other general corporate purposes	52.1	4.3
Expansion of sales channels	61.2	1.8
Capital expenditure of Yongfeng Mine	257.4	–
Construction of slab processing facilities	182.4	0.9
Acquisition of marble resources	65.6	–
<b>Total</b>	<b>618.7</b>	<b>7.0</b>

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no material contingent liabilities.

As at 30 June 2015, the Group had capital commitments of RMB31.5 million for acquisition of property, plant and equipment, all of which were contracted but not provided for.

## MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER ISSUES

The Group had no major acquisition and disposal of assets and merger issues for the Review Period.

## SHARE OPTION SCHEMES

### Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme has become unconditional on 30 December 2013 (i.e. the listing date of the Company) and, unless otherwise cancelled or amended, will remain in force for 42 months from that date. The following table sets out particulars of the options granted under the Pre-IPO Share Option Scheme and their movements during the Review Period:

Category/name of participants	Number of share options				Outstanding as at 30 June 2015	Exercise price (HK\$)	Date of grant
	Outstanding as at 1 January 2015	Granted during the period	Exercised during the period	Lapsed/ forfeited during the period			
Other employees in aggregate	12,000,006 (Note 1)	-	-	-	12,000,006	2.39	30 December 2013
Total	12,000,006	-	-	-	12,000,006		

Note:

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

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

### Share Option Scheme

There is no option outstanding, granted, exercised, cancelled and lapsed under the Share Option Scheme during the Review Period.

For further information of the share options, please refer to note 16 to the interim condensed financial information.

### **SHARE AWARD SCHEME**

The Company adopted the Share Award Scheme on 20 April 2015.

The purpose of the Share Award Scheme is to reward the eligible participants, including the employees, directors, suppliers, customers and business partners of the Group, for their contributions to the Group, to provide competitive incentive package for retaining and attracting suitable personnel for the further development of the Group and to align the interests of such eligible participants with those of the Shareholders through the grant of the award. The Share Award Scheme is administered by an executive committee of the Board and the trustee of the scheme. The executive committee shall not make any further award which will result in the total number of the Shares awarded under the scheme exceeding 10% of the total number of issued Shares at the time of such award. The maximum number of Shares which may be awarded to a selected participant under the scheme shall not exceed 1% of the total number of issued Shares at the time of such award.

For details of the Share Award Scheme, please refer to the announcement of the Company dated 20 April 2015.

Since the adoption of the Share Award Scheme and up to the date of this report, no awards have been granted under the Share Award Scheme.

### **SALES INCENTIVE SCHEME**

The Company adopted the Sales Incentive Scheme on 5 May 2015 in order to motivate all employees of the Group and any other parties who will contribute to the sales and marketing development of the Group as determined by the Board to actively participate in the Group's marketing activities, by leveraging their network resources and referring business opportunities to the Group for sales of marble products of the Group's own mine. Under the Sales Incentive Scheme, an eligible participant will receive a referral fee ranging from 5% to 10% of the project sales in recognition of his or her effort in referring the business opportunities to the Group.

For details of the Sales Incentive Scheme, please refer to the announcement of the Company dated 5 May 2015.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2015, 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 Securities and Futures Ordinance (the "SFO") which had to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), 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 Chuanjia (Note 2)	Interest in controlled corporation	678,127,548 (L)	50.86%
Mr. HAN Yingfeng (Note 3)	Beneficial Owner	2,000,001 (L)	0.15%
Mr. JIN Sheng	Beneficial Owner	40,000 (L)	0.003%

**(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)	Approximate percentage of the issued share capital of the associated corporation
Mr. LIU Chuanjia	Beneficial owner	Liu Investment Development Holdings Group Limited ("Liu's Group")	100 (L)	100%

Notes:

- The letter "L" denotes the person's long position in the shares.
- Mr. LIU Chuanjia is interested in the entire issued share capital of Liu's Group, our substantial Shareholder. Mr. LIU Chuanjia is therefore deemed to be interested in the Shares held by Liu's Group for the purpose of Part XV of the SFO.
- 2,000,001 Shares were the interests in the share options granted to Mr. HAN Yingfeng under the Pre-IPO Share Option Scheme. For further details of the Pre-IPO Share Option Scheme, please refer to the section headed "Share Option Schemes" above.

## OTHER INFORMATION

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

As at 30 June 2015, the interests or short positions of the substantial Shareholders (other than the interests disclosed above in respect of certain Directors who are also substantial Shareholders) in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register of substantial Shareholders as required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the issued share capital of the Company
Liu's Group	Beneficial owner	678,127,548 (L) (Note 2)	50.86%
China Marble Investment Holdings Limited	Beneficial owner	321,872,452 (L) (Note 3)	24.14%
Carlyle Asia Growth Partners IV, L.P.	Interest in controlled corporation	321,872,452 (L) (Note 3)	24.14%
CAGP IV General Partner L.P.	Interest in controlled corporation	321,872,452 (L) (Note 3)	24.14%
CAGP IV, Ltd.	Interest in controlled corporation	321,872,452(L) (Note 3)	24.14%
TC Group Cayman Investment Holdings Sub, L.P.	Interest in controlled corporation	321,872,452 (L) (Note 3)	24.14%
TC Group Cayman Investment Holdings, L.P.	Interest in controlled corporation	321,872,452 (L) (Note 3)	24.14%
Carlyle Holdings II L.P.	Interest in controlled corporation	321,872,452 (L) (Note 3)	24.14%
Carlyle Holdings II GP L.L.C.	Interest in controlled corporation	321,872,452 (L) (Note 3)	24.14%
The Carlyle Group L.P.	Interest in controlled corporation	321,872,452 (L) (Note 3)	24.14%
Prosper Rich Investments Limited	Beneficial owner	130,678,000 (L) (Note 4)	9.80%
Lisa Leung	Interest in controlled corporation	130,678,000(L) (Note 4)	9.80%

## Notes:

1. The letter "L" denotes long position in the Shares.
2. On 29 January 2015, 526,000,000 Shares held by Liu's Group were charged in favour of an independent third party as the security for a loan facility provided to Liu's Group.
3. As known to the Directors after making reasonable enquiry, as at 30 June 2015, 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.
4. As known to the Directors after making reasonable enquiry, as at 30 June 2015, Lisa Leung is interested in the entire issued share capital in Prosper Rich Investments Limited. Lisa Leung is therefore deemed to be interested in the Shares held by Prosper Rich Investments Limited for the purpose of Part XV of the SFO.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015.

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards of dealings as set out in the Model Code throughout the six months ended 30 June 2015, except for the non-compliance with Rules A3(a)(i) and B.8 of the Model Code by Mr. Liu Chuanjia, an executive Director and a controlling Shareholder, during the black-out period for the publication of the Company's annual results for the year ended 31 December 2014. The non-compliance was resulted from Mr. Liu's charge of Shares held by Liu's Group (a company wholly owned by Mr. Liu) to two independent third parties and the failure to obtain a prior dated written acknowledgment from the Company (details of which have been set out in the 2014 annual report of the Company).

Immediately after the occurrence of the incident, the Company had taken appropriate remedial and corrective measures to enhance the internal control of the Company (details of which have been set out in the 2014 annual report of the Company).

## OTHER INFORMATION

Among the Shares charged by Mr. Liu as stated above, 152,127,548 Shares held by Liu's Group which were pledged to an independent third party on 5 March 2015 were released and discharged on 26 March 2015.

Save as disclosed above, Mr. Liu has complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2015.

The Company has also established the written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company throughout the six months ended 30 June 2015.

### **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely, Mr. WANG Hengzhong (as chairman), Mr. LIU Jianhua and Mr. JIN Sheng. The Audit Committee has adopted the terms of reference in compliance with the CG Code.

The Audit Committee has in conjunction with the management of the Company reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the 2015 interim results announcement and this report of the Company as well as the interim condensed financial information of the Group for the six months ended 30 June 2015. In addition, the Company's auditors Ernst & Young has reviewed the unaudited interim condensed financial information of the Group for the six months ended 30 June 2015.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

# REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION



Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

安永會計師事務所  
香港中環  
添美道1號  
中信大廈22樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

To the board of directors of  
**ArtGo Holdings Limited**  
**(Formerly known as "ArtGo Mining Holdings Limited")**  
(Incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the interim condensed financial information set out on pages 25 to 44, which comprises the consolidated statement of financial position of ArtGo Holdings Limited as at 30 June 2015 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

The directors are responsible for the preparation and presentation of this interim condensed financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34.

### **Ernst & Young**

Certified Public Accountants

Hong Kong

31 August 2015

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

For the six months ended 30 June 2015

	Notes	For the six months ended	
		30 June	
		2015	2014
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	3	<b>150,142</b>	219,080
Cost of sales		<b>(66,566)</b>	(75,755)
<b>Gross profit</b>		<b>83,576</b>	143,325
Other income and gains	4	<b>13,156</b>	7,235
Selling and distribution expenses		<b>(14,751)</b>	(12,943)
Administrative expenses		<b>(19,936)</b>	(19,775)
Other expenses		<b>(2,478)</b>	(7,634)
Finance costs	5	<b>(8,041)</b>	(7,933)
PROFIT BEFORE TAX	6	<b>51,526</b>	102,275
Income tax expense	7	<b>(11,469)</b>	(29,682)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE OWNERS OF THE COMPANY FOR THE PERIOD</b>		<b>40,057</b>	72,593
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic and diluted	8	<b>RMB0.03</b>	RMB0.05

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	63,194	48,331
Intangible assets	9	77,852	77,413
Prepaid land lease payments	9	12,635	12,768
Prepayments, deposits and other receivables	10	15,711	16,225
Payments in advance	10	500	2,400
Restricted deposits		1,702	1,702
Deferred tax assets		7,771	5,801
<b>Total non-current assets</b>		<b>179,365</b>	<b>164,640</b>
<b>CURRENT ASSETS</b>			
Inventories		69,377	69,898
Trade and bills receivables	11	49,363	61,836
Prepayments, deposits and other receivables	10	33,005	40,739
Pledged deposits		43,695	36,000
Cash and bank balances		1,030,260	966,501
<b>Total current assets</b>		<b>1,225,700</b>	<b>1,174,974</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	174,836	130,470
Other payables and accruals		73,645	62,049
Tax payables		14,535	14,513
Interest-bearing bank loans	13	100,000	125,900
Due to a related party	14	71	71
<b>Total current liabilities</b>		<b>363,087</b>	<b>333,003</b>
<b>NET CURRENT ASSETS</b>		<b>862,613</b>	<b>841,971</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,041,978</b>	<b>1,006,611</b>

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		3,314	3,174
Other payable		9,300	18,600
Deferred income	15	5,795	5,900
Provision for rehabilitation		14,672	11,712
<b>Total non-current liabilities</b>		<b>33,081</b>	<b>39,386</b>
<b>Net assets</b>		<b>1,008,897</b>	<b>967,225</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		10,492	10,492
Reserves		998,405	956,733
<b>Total equity</b>		<b>1,008,897</b>	<b>967,225</b>

**Liu Chuanjia**  
Director

**Wu Wenzhen**  
Director

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Issued capital	Share premium account	Statutory reserve	Safety fund surplus reserve	Share option reserve	Difference arising from acquisition of non-controlling interests	Contributed surplus	Retained earnings/ (Accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	10,492	866,908	1,308	582	17	(19,048)	26,636	(25,835)	861,060
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	72,593	72,593
Transfer from/(to) reserves	-	-	7,672	-	-	-	-	(7,672)	-
Establishment of safety fund surplus reserve	-	-	-	193	-	-	-	(193)	-
Utilisation of safety fund surplus reserve	-	-	-	(81)	-	-	-	81	-
Equity-settled share option arrangement (note 16)	-	-	-	-	2,558	-	-	-	2,558
At 30 June 2014 (unaudited)	10,492	866,908*	8,980*	694*	2,575*	(19,048)*	26,636*	38,974*	936,211
At 1 January 2015	10,492	866,908	12,685	760	3,850	(19,048)	26,636	64,942	967,225
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	40,057	40,057
Transfer from/(to) reserves	-	-	4,932	-	-	-	-	(4,932)	-
Establishment of safety fund surplus reserve	-	-	-	125	-	-	-	(125)	-
Utilisation of safety fund surplus reserve	-	-	-	(177)	-	-	-	177	-
Equity-settled share option arrangement (note 16)	-	-	-	-	1,615	-	-	-	1,615
At 30 June 2015 (unaudited)	10,492	866,908	17,617	708	5,465	(19,048)	26,636	100,119	1,008,897

\* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	For the six months ended	
		30 June	
		2015	2014
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>51,526</b>	102,275
Adjustments for:			
Depreciation of items of property, plant and equipment	9	<b>3,106</b>	2,504
Amortisation of intangible assets	9	<b>284</b>	338
Amortisation of prepaid land lease payments	9	<b>133</b>	133
Amortisation of deferred income	15	<b>(105)</b>	–
Impairment of trade receivables	11	<b>1,278</b>	–
Loss on written off payments in advance		–	2,750
Equity-settled share option expense	16	<b>1,615</b>	2,558
Finance costs	5	<b>8,041</b>	7,933
Unrealised foreign exchange gains		<b>(2)</b>	(19)
Bank interest income	4	<b>(11,343)</b>	(6,926)
		<b>54,533</b>	111,546
Decreased/(increase) in trade and bills receivables		<b>11,195</b>	(72,737)
Decreased/(increase) in inventories		<b>521</b>	(1,830)
Decreased/(increase) in prepayments, deposits and other receivables		<b>8,795</b>	(10,490)
Increase in trade and bills payables		<b>44,366</b>	82,501
Increase in amounts due from related parties		–	(1,133)
Increase/(decrease) in other payables and accruals		<b>1,141</b>	(20,265)
Increase in deferred income		–	6,005
Cash generated from operations		<b>120,551</b>	93,597
Income tax paid		<b>(13,277)</b>	(12,405)
Interest paid		<b>(8,179)</b>	(7,266)
Interest received		<b>10,796</b>	4,350
Net cash flows generated from operating activities		<b>109,891</b>	78,276
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment		<b>(3,101)</b>	(5,866)
Payment of mining right payable		<b>(9,300)</b>	(9,300)
Prepaid land lease payments		–	(10,629)
Purchase of other intangible assets		<b>(138)</b>	(472)
Expenditure on exploration and evaluation assets		–	(1,279)
Increase in time deposits with maturity of over three months		<b>(15,804)</b>	(421,000)
Increase in pledged deposits		<b>(7,695)</b>	(26,000)
Net cash flows used in investing activities		<b>(36,038)</b>	(474,546)

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loans	50,000	69,000
Repayment of bank loans	(75,900)	(94,900)
Decrease in an amount due to the ultimate controlling shareholder	–	(10)
Net cash flows used in financing activities	(25,900)	(25,910)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	47,953	(422,180)
Cash and cash equivalents at beginning of the period	108,001	709,735
Effect of foreign exchange rate changes, net	2	19
CASH AND CASH EQUIVALENTS AT END OF PERIOD	155,956	287,574
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash on hand and cash at banks	135,764	119,074
Non-pledged time deposits	894,496	763,000
Cash and bank balances	1,030,260	882,074
Time deposits with original maturity of over three months	(874,304)	(594,500)
Cash and cash equivalents	155,956	287,574

## 1. CORPORATE INFORMATION

ArtGo Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

During the Review Period, the Group was 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 Review Period.

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

## 2.1 BASIS OF PREPARATION

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

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of following amendments to a number of International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are mandatory for the first time for financial year beginning 1 January 2015.

Amendments to IAS 19	Defined Benefit Plans: <i>Employee Contributions</i>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of IFRSs
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of IFRSs

The adoption of these amendments to IFRSs has had no significant financial effect on the financial position or performance of the Group.



# NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2015

## 3. 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 Review Period:

	For the six months ended 30 June			
	2015		2014	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Marble blocks	56,995	38	21,457	10
One-side-polished slabs	47,279	31	46,910	21
Cut-to-size slabs	45,868	31	150,713	69
	150,142	100	219,080	100

### Geographical information

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

	For the six months ended 30 June	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Domestic*:		
Mainland China	143,395	210,401
Overseas	6,747	8,679
	150,142	219,080

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

At the end of the reporting period, the Group's principal non-current assets were located in Mainland China.

### 3. REVENUE AND OPERATING SEGMENT INFORMATION — *continued*

#### Entity-wide disclosures — *continued*

##### Information about major customers

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	*	56,082
Customer B	*	38,135

\* Less than 10% of the total revenue

### 4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	11,343	6,926
Governmental subsidy	1,509	—
Foreign exchange gains, net	124	—
Miscellaneous	180	309
Total other income and gains	13,156	7,235

### 5. FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans	3,656	3,686
Interest on instalments	703	992
Unwinding of discount on rehabilitation	374	329
Interest on bills receivable discounted (note 11)	3,308	2,926
	8,041	7,933

# NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2015

## 6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cost of inventories sold	66,566	75,755
Employee benefit expense (including directors' and chief executive's remuneration)*	23,197	26,910
Depreciation and amortisation (note 9)	3,523	2,975
Minimum lease payments under operating leases:		
— Office	2,758	1,642
— Warehouses	3,005	1,281
— Parcels of land located at Shangsheng Village (note 10 (a))	409	410
Impairment of trade receivables (note 11)	1,278	—
Auditors' remuneration	1,115	1,222
Foreign exchange losses/(gains), net	(124)	3,288
Bank interest income (note 4)	(11,343)	(6,926)
Write-off of payments in advance for software	—	2,750

\* Total employee benefit expense included equity-settled share option expense of RMB1,615,000 for the Review Period (six months ended 30 June 2014: RMB2,558,000).

## 7. INCOME TAX

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current — Mainland China Charged for the period	13,299	36,860
Deferred	(1,830)	(7,178)
Total tax charge for the period	11,469	29,682

Notes:

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

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

The calculation of earnings per share is based on the profit attributable to owners of the Company for the Review Period of RMB40,057,000.00 (six months ended 30 June 2014: RMB72,593,000), and the weighted average number of ordinary shares of 1,333,334,000 (six months ended 30 2014: 1,333,334,000) in issue during the Review Period.

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

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

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

	Property, plant and equipment RMB'000 (Unaudited)	Intangible assets RMB'000 (Unaudited)	Prepaid land lease payments RMB'000 (Unaudited)
Carrying amount at 1 January 2015	48,331	77,413	12,768
Additions	17,969	723	–
Depreciation/amortisation charged for the Review Period (note 6)	(3,106)	(284)	(133)
Carrying amount at 30 June 2015	63,194	77,852	12,635

# NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2015

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

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Current portion:			
Prepayments in respect of:			
— Warehouse rental		3,852	1,641
— Processing fee		3,025	706
— Purchase of marble slabs		2,314	17,128
— Lease of parcels of land located at Shangsheng Village	(a)	819	819
— Purchase of materials and supplies		493	1,293
— Office rental		423	1,588
— Prepaid land lease payments to be amortised within one year (note 9)		266	266
— Others		403	165
Deposits		3,941	3,724
Interest income receivables		11,290	10,743
Prepaid construction payment	(b)	5,000	—
Deductible input value-added tax		—	1,281
Other receivables		1,179	1,385
		<b>33,005</b>	40,739
Non-current portion:			
Prepayments in respect of:			
— Lease of parcels of land located at Shangsheng Village	(a)	9,916	10,325
— Cultivated land used tax	(c)	5,795	5,900
		<b>15,711</b>	16,225
		<b>48,716</b>	56,964
Payments in advance in respect of:			
— Property, plant and equipment		500	2,400

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 villagers, Jueshi Mining prepaid RMB12,280,000 in aggregate, for rights to use the said parcels of land for a period of 15 years since the effective dates of the respective lease agreements.
- (b) The balance represents prepayment made to Zhangzhou Shuntong Construction Co., Ltd. ("Zhangzhou Shuntong") for the construction of a mining road at the Yongfeng Mine. The prepayment was refunded by Zhangzhou Shuntong in July 2015 on termination of the construction contract.
- (c) The balance represents prepayment made to the local taxation authorities for the occupation of cultivated land at the Yongfeng Mine. The prepayment will be charged to profit or loss on straight-line method over the terms of the mining right.

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

— continued

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.

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000
Trade receivables	50,141	61,836
Bills receivable	500	–
Impairment	(1,278)	–
	<b>49,363</b>	61,836

As at 30 June 2015, trade receivables included retention money receivables of RMB5,816,000 (31 December 2014: RMB11,559,000).

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

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

An aged analysis of the trade receivables as at 30 June 2015 and 31 December 2014, based on the delivery date and net of provision, is as follows:

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000
Within 1 month	27,790	8,633
1 to 3 months	11,192	6,615
3 to 6 months	2,524	32,080
6 to 12 months	6,736	13,267
Over 1 year	621	1,241
	<b>48,863</b>	61,836

# NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2015

## 11. TRADE AND BILLS RECEIVABLES — *continued*

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

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000
At beginning of Review Period	–	–
Impairment losses recognised (note 6)	<b>1,278</b>	–
	<b>1,278</b>	–

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivable of RMB1,278,000 (31 December 2014: Nil) with a carrying amount before provision of RMB1,886,000.

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

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000
Neither past due nor impaired	<b>46,076</b>	59,870
Past due but not impaired:		
Less than 1 month past due	–	812
Over 1 month and less than 3 months past due	<b>505</b>	292
Over 3 months past due	<b>2,282</b>	862
	<b>48,863</b>	61,836

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

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

During the Review Period, the Group has recognised interest expense of RMB3,308,000 (six months ended 30 June 2014: RMB2,926,000) (note 5) on discounted bills issued for intra-group transactions.

## 12. TRADE AND BILLS PAYABLES

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000
Trade payables	24,286	50,470
Bills payable	150,550	80,000
	<b>174,836</b>	130,470

An aged analysis of the trade and bills payables as at 30 June 2015 and 31 December 2014, based on the invoice date or issue date, where appropriate, is as follows:

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000
Within 1 months	20,558	2,601
1 to 2 months	78,935	506
2 to 3 months	3,692	123
Over 3 months	71,651	127,240
	<b>174,836</b>	130,470

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

As at 30 June 2015, the Group's bills payable of RMB30,000,000 and RMB45,650,000 were secured by pledged time deposits of RMB30,000,000 and RMB13,695,000, respectively.

As at 30 June 2015, the Group's bills payable of RMB150,550,000 related to bills issued by one of the Group's subsidiaries and were held by banks.

## 13. INTEREST-BEARING BANK LOANS

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000
<i>Repayable within one year:</i>		
Unsecured bank loans	100,000	125,900
Effective interest rate per annum (%)	6.63–7.28	6.44–7.28

Note:

- (a) As at 30 June 2015 and 31 December 2014, bank loans of Xiamen Huijin Stone of RMB100,000,000 and RMB125,900,000 were guaranteed by Jueshi Mining, respectively.



# NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2015

## 14. BALANCES WITH A RELATED PARTY

	Note	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
<i>Due to a related party:</i>			
<i>Non-trade in nature:</i>			
— Mr. Liu	(a)	71	71

Note:

- (a) As at 30 June 2015 and 31 December 2014, amounts due to Mr. Liu were denominated in RMB. These balances with Mr. Liu were non-trade, interest-free, unsecured and had no fixed terms of repayment.

## 15. DEFERRED INCOME

	RMB'000
<i>Government grant</i>	
At 1 January 2015	5,900
Released to profit or loss	(105)
At 30 June 2015 (unaudited)	5,795

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

## 16. SHARE OPTION SCHEMES

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

The exercise prices and exercise periods of the share options outstanding under the Pre-IPO Share Option Scheme as at 30 June 2015 and 31 December 2014 are as follows:

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

## 16. SHARE OPTION SCHEMES — *continued*

The fair value of the share options granted under the Pre-IPO Share Option Scheme was HK\$12,056,000 (equivalent to approximately RMB9,487,000) or approximately HK\$1.00 each (equivalent to approximately RMB0.79 each), of which the Group recognised a share option expense of HK\$2,052,000 (equivalent to approximately RMB1,615,000) during the Review Period (six months ended 30 June 2014: RMB2,558,000).

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

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

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

As at 30 June 2015, the Company had 12,000,006 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 12,000,006 additional ordinary shares of the Company and additional share capital of HK\$120,000 and share premium of HK\$28,560,000 (before issue expenses).

Subsequent to the end of the Review Period, on 1 July 2015, a total of 1,199,998 shares were expired without being exercised by any Grantees.

At the date of approval of this interim condensed financial information, the Company had 10,800,008 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.8% of the Company's shares in issue as at that date.

## 17. DIVIDENDS

At a meeting of the board of directors held on 31 August 2015, the directors resolved not to pay an interim dividend to shareholders (six months ended 30 June 2014: Nil).

# NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2015

## 18. OPERATING LEASE ARRANGEMENTS

### As lessee

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

As at the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000
Within one year	6,486	6,929
In the second to fifth years, inclusive	13,492	12,301
Over five years	–	81
	<b>19,978</b>	<b>19,311</b>

## 19. COMMITMENTS

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

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000
Contracted, but not provided for:		
— Plant and equipment	31,520	10,308
— Intangible assets	–	60
	<b>31,520</b>	<b>10,368</b>

## 20. RELATED PARTY TRANSACTIONS

- (a) During the Review Period, the Group had the following material transactions with its related parties:

Name of related parties	Note	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Office rental:			
Xiamen Zhonglianjian	(i)	271	271
Bills payable guaranteed by:			
Mr. Liu		–	20,000

Note:

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

### (b) Outstanding balances with related party

Details of the Group's balances with its related party as at the end of each reporting period are disclosed in note 14. Balances with the related party are interest-free, unsecured and have no fixed terms of repayment.

### (c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Basic salaries and other benefits	3,685	4,506
Equity-settled share option expense	1,346	1,827
Pension scheme contributions	36	49
	5,067	6,382

## **21. EVENTS AFTER THE REPORTING PERIOD**

As at the date of approval of this interim condensed financial information, the Group has no events after the Review Period that need to be disclosed.

## **22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION**

The interim condensed financial information was approved and authorised for issue by the board of directors on 31 August 2015.