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

2015
ANNUAL REPORT

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,
On behalf of the board (the "Board") of directors of (the "Directors") ArtGo Holdings Limited ("ArtGo Holdings" or the "Company", together with its subsidiaries referred to as the "Group"), I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2015.

Liu Chuanjia
Chairman

FINANCIAL RESULTS

During the year, the revenue of the Group was RMB332 million, decreased by 3.5% from RMB344 million in the last year, meanwhile, the gross profit of the Group decreased by RMB39 million from RMB217 million in the last year to RMB178 million. The decrease in revenue was mainly due to the decrease in sales revenue resulting from the difficult situation of macro economy and real estate industry in 2015 and the decrease in orders from customers engaged in the development of real estate, while the decrease in gross profit was mainly attributed to the marketing strategy of offering cost-effective products to further penetrate into the market. Affected by market environment, the net profit of the Group during the year was RMB75 million, dropped by 26.3% year-on-year from RMB102 million in the last year.

BUSINESS REVIEW

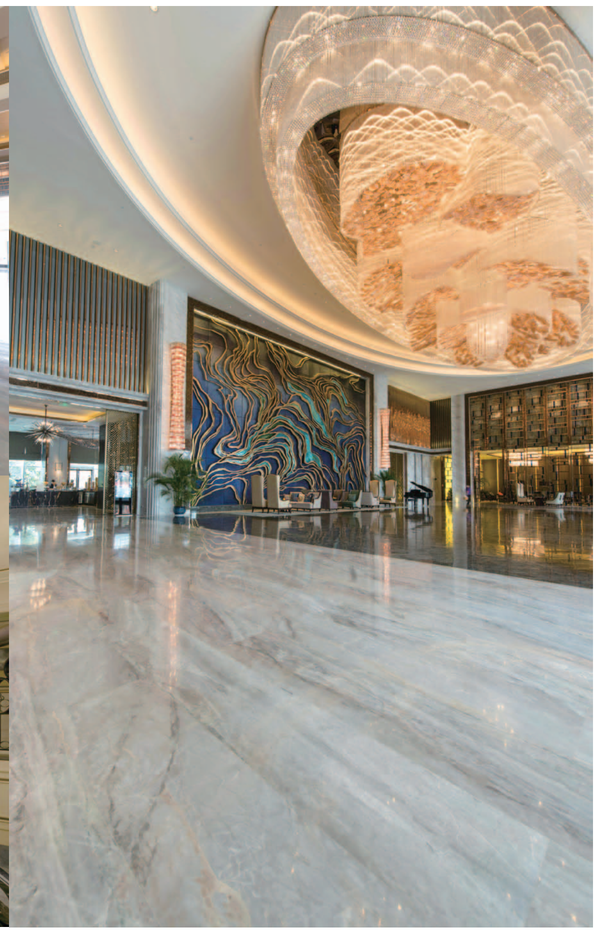
To consolidate the leading position of the Group in the building material industry through continuous innovation, ArtGo Holdings successfully transformed its business and development strategies in 2015, changed its business strategy in marble mining, processing and B2B sales businesses, and became a consumer market oriented company through innovation, resources integration and strategic partnerships. In the beginning of 2015, the Group formally changed its previous name "ArtGo Mining Holdings Limited" into "ArtGo Holdings Limited" to further develop its downstream extension services and to transform to a consumer company so as to give a clearer and preciser business positioning for the Company, showcasing the determination of the Group to develop businesses in the Chinese retail market. In the meantime, the Group further expanded its business models, and integrated its internal resources to make ArtGo Holdings an industry-leading model.

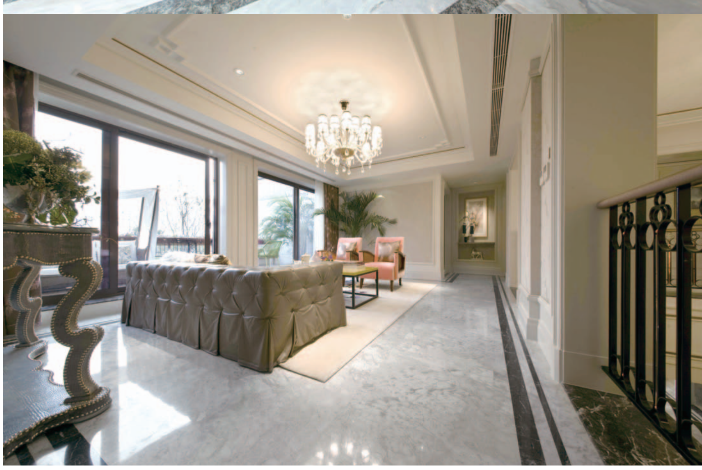
CHAIRMAN'S STATEMENT

To follow through with the plan of the Group in the consumer market, the Group also launched a new brand "ArtMore" in 2015 targeting at middle to high end home decoration and marble material retail market, the brand was for middle to high end consumers who are looking for better lifestyle. Designs of the "ArtMore" brand features naturalism, minimalism and exquisiteness. Standardized marble products under the "ArtMore" brand include cut-to-size slabs, bathroom products, and home products.

To integrate the upstream resources and strengthen the connections with other suppliers, the Group held the first suppliers conference in the first half of 2015, and the first Strategic Alliance Conference of Mining Resources in China, which effectively promoted the exchanges between the Group and other quarry owners on the business and development opportunities of the Chinese marble material industry and facilitated the co-establishment of a nationwide sales network of the industry.

ArtGo Holdings spared no efforts in promoting the "ArtMore" brand in the second half of 2015 — the Group participated in a number of different stone material exhibitions in China and across the world to present the quality lifestyle of the brand to people around the world. Exhibitions we took part in include the Italian Marmomacc Stone Material Exhibition, the leading global professional event in the stone material industry; Foshan Ceramics Exposition, the top level event in the Chinese ceramics industry; China's International Asia-Europe Stone Materials Exposition (Xinjiang) and China's International Stone Materials Products, Technology, and Equipment Exhibition (Zhengzhou), which was crowned as the best stone materials event in central China. During these exhibitions, ArtGo Holdings successfully introduced its first-tier marble material with beautiful natural veins to buyers from all over the world and attracted great attention and appreciation from all sectors.





CHAIRMAN'S STATEMENT

The designs of the "ArtMore" brand have been widely appreciated and promoted by the public since the incubation. In the meantime, design patterns of the "ArtMore" brand, "Above Evian" and "Waltz", were given the China Cotton Tree Award and became the only stone material products that won the China Cotton Tree Design Award in 2015. In addition, ArtGo Holdings also became the strategic cooperative partner of the 2015 World Interior Designer Conference (WIC) in Guangzhou, enabling us to actively discuss the agenda items in such an authoritative global event and presenting products of ArtGo Holdings to the world.

In sales channels, for the B2C "ArtMore" brand, the Group plans to apply O2O sales model and sell standardized marble products to designers and clients through e-business platforms. For the traditional B2B "ArtGo" brand of the Group, the project sales were further promoted in 2015. "ArtGo" marbles were widely used in a number of projects of major developers and have become a well-established brand in the industry. Such projects include Emerald Riverside of Wanke in the central area of Lujiazui, Shanghai; Wada Vista Hotel in Nanning, Guangxi; Baogang Building of the Baogang Group in the Lujiazui Financial and Trading Zone, Shanghai; the Pullman Hotel of the Pullman Group in Taiyuan, Shanxi; and the Guanghua School of Management of Peking University and etc.

While actively expanding the downstream business, we also strengthened the upstream business development. The Group announced in December 2015 the acquisition of two white marble mines at RMB250 million. The two mines are adjacent to the Yongfeng Mine in Jiangxi Province, which is currently wholly owned by the Group and contains high quality and abundant white marble resources. We are convinced that the acquisition will facilitate the further development of the existing marble mining businesses and enhance the Group's pricing power and competence in the marble market, and add more colour and pattern varieties to continue to boost profitability and expand the market share of the Group so as to benefit shareholders as a whole. In 2015, Beijing SINOMVA Mining Valuation Advisory Co., Ltd evaluated the Yongfeng Mine in Jiangxi Province, which is wholly owned by the Group, by virtue of the discounted cash flow method based on unaudited financial information, pursuant to which, the Yongfeng Mine had a valuation of approximately RMB4.32 billion as at 31 October 2015.

PROSPECTS

Looking into the future, the Group will continue to enhance the downstream marble sales businesses and explore related industries through strategic cooperation, investment and acquisition while consolidating the existing marble businesses, to increase the revenue of the Group and maintain a steady growth.

In March 2016, the Group issued targeted additional shares under the general mandate and acquired shops assets valued at RMB245 million in prime locations in Puxi, Shanghai. We believe that establish a stronger connection with Shanghai will further help the Group harness the economic benefits of Shanghai as a financial centre and key domestic capital market, which is also beneficial to the future capital operations of the Group. In the meantime, Shanghai as the financial, commercial and cultural centre of China will help us bring the elegant and exquisite lifestyle of ArtGo Holdings to middle class clients in first-tier cities in Shanghai to rapidly spur demands and sales of quality marble products.

Since the current market competition is extremely fierce, the Group will start strategic cooperation, co-develop and share downstream offline sales network with other building material suppliers at the same time to boost sales capacity and resources matching within the industry. For online sales, we also hope to cooperate with top-notch e-commerce building material suppliers in China and provide a one-stop e-business platform for Chines interior designers pursuing quality lifestyle and middle class families valuing the quality of life, so as to help them choose appropriate and tasteful building materials more conveniently, integrate artistic marble interior designer products into domestic lives of all consumers, and achieve a mutually-beneficial situation with other building material suppliers in the industry.

CHAIRMAN'S STATEMENT

In the long term, the Group hopes to actively explore other related industries such as high-end environmental protection building materials and logistics industries while developing the existing marble business to expand revenue from other than the marble industry and maintain a high-speed growth of the Group.

In internal development, the Group hopes to strengthen the corporate culture, improve the overall management efficiency, and conduct standardized and more refined management. The Group will follow through its management responsibilities by specifying and clarifying detailed management responsibilities. We require that the administrative personnel should undertake their due diligence, and conduct stricter checks on the daily works, and it is required that any employee that detects any issue should handle it timely. We are aware that in order to promote the sound and sustainable corporate development, the Company should strictly control the product quality from within, and form closer cooperative and interactive relations with related businesses, clients and consumers.

Personnel training are also of great importance in the development of the Group. The Group will continue to train the business mind of all employees, especially for the sales personnel. Last year, we successfully held several large-scale staff trainings including a staff and business partners training lasted three days and nights. The management, hundreds of employees, and cooperative partners of the Group refreshed their minds together, which injected enthusiasm for the staff and boosted the morale among the employees. After this "Working Tirelessly for a Hundred Days" campaign, the Group completed and exceeded the business goals in sales, mines mining costs, product quality and etc. We will continue to hold similar activities to enhance employees' sense of belonging to the Group, and to improve their passion and efficiency in work.

Lastly, we hope that ArtGo Holdings, as a leading enterprise in the industry, will continue to take the lead in the Chinese marble industry, provide Chinese consumers with more artistic and quality lifestyles, and maintain innovative and rapid business development. 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 support.

Executive Director, Chairman
Liu Chuanjia

Hong Kong, 31 March 2016

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. LIU Chuanjia *(Chairman)*
Mr. GU Weiwen (顧偉文) *(Chief Executive Officer)*
Mr. ZHANG Jian (張健)
Ms. WU Jing (伍晶)
Mr. LI Dingcheng (李定成)

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

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Ernst & Young

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CORPORATE INFORMATION

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MANAGEMENT DISCUSSION AND ANALYSIS

In February 2013, the Group launched large-scale commercial production at the Yongfeng Mine situated in Yongfeng County, Jiangxi Province in China. As at 31 December 2015, the Group had extracted a total of 36,065.0 cubic metres of marble blocks in the Yongfeng Mine. The Group has developed two operating mining areas in the Yongfeng Mine, namely North #1 and North #4 mining areas. There are eight benches in the North #1 mining area and six benches in the North #4 mining area. Benefiting from a favourable geographical environment and the ideal geological conditions of the Yongfeng Mine and based on the good geological conditions which the Group laid on its mine, the Group remains confident of the mining work of the Yongfeng Mine in the future.

As at the date of this report, the Group has a network of 126 distributors, covering 95 cities across 29 provinces and autonomous regions in the PRC. In addition, the Group is also integrating and expanding the results of its direct sales channels. "ArtMore" brand was launched in 2015 focusing on integration of the innovative design of stone and home decoration, and the Group strives to visually set the trend of using marble among consumers through the products under the new brand. To provide customers with more comprehensive marble products, the Group is also actively seeking marble resources that can bring synergies to the Group and provide a useful complement to existing products in terms of colours.

MANAGEMENT DISCUSSION AND ANALYSIS

RESOURCES AND RESERVES

YONGFENG MINE

The 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 the current mining permit for the Yongfeng Mine.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following table summarizes the marble resources and reserves of the Yongfeng Mine, estimated as of 31 December 2015 under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

Resources	Millions of cubic meters
Measured	51.2
Indicated	46.6
Inferred	8.8
Total	106.6

Reserves	Millions of cubic meters
Proved	23.0
Probable	21.0
Total	44.0

The estimated resources and reserves of the Yongfeng Mine as of 31 December 2015 were arrived after taking into account the estimated resources and reserves of the Yongfeng Mine as of 30 September 2013 minus the amount of extraction in the course of the Group's normal and routine mining activities carried out during the period from 1 October 2013 to 31 December 2015 and have been substantiated by the following two persons: (i) Mr. NIE Zhiqiang, the vice president of Jueshi Mining, a wholly-owned subsidiary of the Company, who has over 20 years of experience in mining production (including exploration and extraction process); and (ii) Mr. LI Dingcheng, an executive Director, who has over 25 years of experience in the mineral and geological exploration industry and holds a bachelor's degree in engineering, majoring in geology and mineral resources survey and is a titled senior engineer. The biographical information of Mr. LI Dingcheng and Mr. NIE Zhiqiang are set out on page 26 and page 28 of this annual report.

The estimated resources and reserves of the Yongfeng Mine as of both 30 September 2013 (as disclosed in the prospectus of the Company dated 16 December 2013 (the "Prospectus")) and 31 December 2015 (as disclosed in this report) were based on the resources and reserves under the JORC Code, i.e. there was no change in the reporting standard used in arriving at these estimates on the respective dates. The methods used to estimate mineral resources and the parameters used for the estimated resources and reserves of the Company as of 30 September 2013 and 31 December 2015 were identical.

The Group did not have exploration activities for the Yongfeng Mine in 2015 (2014: Nil), and the capital expenditure of the Yongfeng Mine was RMB10.4 million in the year 2015 (2014: RMB4.7 million), which mainly represented the capital expenditure for the mining roads.

The Yongfeng Mine enjoys favourable topographical and geological conditions, which allow the Group 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 the Group to achieve a lower operating cost and a higher profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

ZHANGXI MINE

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

Holder	Jiangxi Jueshi (Ji'an) Mining Co., Ltd. ("Ji'an Mining") (our subsidiary)
Nature of resource	marble
Covered area	approximately 0.7 square kilometre
Issuance date	23 July 2010
Expiration date	23 July 2015, which can be extended to 23 July 2018 according to applicable PRC laws and regulations
Permitted production volume	20,000 cubic metres per annum

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

The table below summarizes the marble resources of the Zhangxi Mine estimated as of 31 December 2015 according to the PRC classification of solid mineral resources and reserves ("Chinese standards").

Resources	Millions of cubic meters
Measured	7.1
Indicated	18.4
Inferred	4.2
Total	29.7

The Group did not have exploration, development and production activities for the Zhangxi Mine in 2015 (2014: Not applicable).

The Zhangxi Mine enjoys favourable topographical and geological conditions, which allow the Group to ramp up production scale easily and quickly. Such conditions, together with the convenient location of the Zhangxi Mine and its ready access to utilities, help the Group to achieve a lower operating cost and a higher profit margin.

Note: The Company would like to clarify that there was a typographical error on page 23 of the results announcement of the Company for the year ended 31 December 2015 under the section headed "Resources and Reserves — Zhangxi Mine", the mining right fee assessed by the Jiangxi Province Bureau of Land and Resources should read "RMB1.615 million" instead of "RMB161.5 million".

MANAGEMENT DISCUSSION AND ANALYSIS

LINGNAN MINE

The Lingnan Mine is located at Yongfeng County of Jiangxi Province, China. The Lingnan Mine is provided with an asphalt highway extending to Yongfeng County, about 65 km from 105 National Highway and Beijing-Kowloon Railway, connecting to the China's national transportation system. The table below summarizes key information related to the current mining permit for the Lingnan Mine.

Holder	Ji'an Mining
Nature of resource	marble
Covered area	approximately 0.2 square kilometre
Issuance date	23 July 2010
Expiration date	23 July 2015, which can be extended to 23 July 2018 according to applicable PRC laws and regulations
Permitted production volume	10,000 cubic metres per annum

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB0.81 million (Note) for a period of three years.

The table below summarizes the marble resources of the Lingnan Mine estimated as of 31 December 2015 according to the Chinese standards.

Resources	**Millions of cubic meters**
Indicated	2.3
Inferred	1.2
Total	3.5

The Group did not have exploration, development and production activities for the Lingnan Mine in 2015 (2014: Not applicable).

The Lingnan Mine enjoys favourable topographical and geological conditions, which allow the Group to ramp up production scale easily and quickly. Such conditions, together with the convenient location of the Lingnan Mine and its ready access to utilities, help the Group to achieve a lower operating cost and a higher profit margin.

Note: The Company would like to clarify that there was a typographical error on page 24 of the results announcement of the Company for the year ended 31 December 2015 under the section headed "Resources and Reserves — Lingnan Mine", the mining right fee assessed by the Jiangxi Province Bureau of Land and Resources should read "RMB0.81 million" instead of "RMB81.0 million".

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

In 2015, the Group recorded an operating revenue of approximately RMB332.2 million (2014: RMB344.3 million), representing a decrease of approximately RMB12.1 million (or 3.5%) compared to that of 2014, mainly due to: (i) the decrease in the orders from the customers engaged in real estate development during 2015, resulting in the decrease in sales revenue of cut-to-size slabs under the tough situation of both marco-economy and property industry; and (ii) the impact of decrease in sales revenue was offset partially by the Group's active expansion of sales channel and further market penetration of marble blocks in order to meet customers' demand of raw material with processing capability, leading to a relatively stable level of revenue.

(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:

		2015			2014	
		Approximate percentage	**Gross profit margin**		Approximate percentage	Gross profit margin
	RMB'000	**%**	**(%)**	RMB'000	%	(%)
Marble blocks	**131,118**	**39.5**	**74.0**	38,950	11.3	88.0
One-side-polished slabs	**94,312**	**28.4**	**50.0**	70,682	20.5	55.7
Cut-to-size slabs	**106,787**	**32.1**	**31.4**	234,707	68.2	61.0
Total	**332,217**	**100.0**	**53.5**	344,339	100.0	63.0

(b) Sales Volume and Average Selling Price

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

Sales volume	**2015**	2014
Marble blocks (m^3)	**25,896**	7,365
One-side-polished slabs (m^2)	**440,521**	315,883
Cut-to-size slabs (m^2)	**357,368**	576,286
Average selling price		
Marble blocks (RMB/m^3)	**5,063.2**	5,288.5
One-side-polished slabs (RMB/m^2)	**214.1**	223.8
Cut-to-size slabs (RMB/m^2)	**298.8**	407.3

For the year ended 31 December 2015, the unit selling price of marble blocks decreased by approximately 4.3% as compared to that of 2014, mainly due to: (i) the Group has leveraged on its competitive edges in terms of enhanced mining and processing technologies to provide cost-effective marble blocks, so as to accelerate market penetration and further consolidate its leading position amid the increasingly fierce competition; (ii) in order to satisfy the market demand, the Group has fixed on competitive prices based on the shape of products, all of which are widely recognized, including the marble blocks in smaller sizes.

The unit selling price of one-side-polished slabs dropped by approximately 4.3% as compared to that of 2014, mainly due to promotion of products with a relatively long stock age to further occupy the market.

The unit selling price of cut-to-size slabs decreased by approximately 26.6% compared to that of 2014, mainly due to the Group adjusted the product structure and reduced the unit selling price accordingly, considering the situation that the required product quality of most corporate customers whom engaged in decoration projects during the year are different from that of main corporate customers whom engaged in real estate development in 2014.

(c) Sales by Sales Channels

	2015		2014	
		Approximately		Approximately
	RMB'000	**%**	RMB'000	%
Selling to distributor	**51,845**	**16.6%**	45,094	14.0%
Direct sales	**259,845**	**83.4%**	276,445	86.0%
	311,690	**100.0%**	321,539	100.0%

Since 2013, the Group enhanced the development of its direct sales channels in order to further promote the brand image and to build it as an iconic and premium trademark. Such enhancement has also served to establish and broaden the base for a fast and stable growth in the Group's sales revenue and profits. The results in 2015 were fruitful and outstanding. The share which direct sales accounted for domestic revenue was stable as compared to that of 2014.

COST OF SALES

For the year ended 31 December 2015, the Group's cost of sales amounted to approximately RMB154.4 million, including processing costs, which represented approximately 27.8% of the total cost of sales; marble blocks mining costs, which represented approximately 11.9% of the total cost of sales; transportation costs, which represented approximately 5.6% of the total cost of sales; and costs of products purchased from third parties, which represented approximately 51.2% of the total cost of sales. The increase in cost of sales in 2015 was mainly attributed to the Group's strategy implementation in providing cost-effective product to further consolidate and expand market shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Processing costs

Processing costs of the Group represented the processing fees paid to processors for processing marble blocks into one-side-polished slabs and further polishing one-side-polished slabs into cut-to-size slabs. The processing fees per unit of one-side-polished slabs in 2015 were approximately RMB61.9 and remained relatively stable as compared to the processing fees of approximately RMB61.0 in 2014.

The processing fees per unit of cut-to-size slabs in 2015 were RMB55.2, representing an increase of approximately 120.8% as compared to the processing fees of RMB25.0 in 2014. The increase in unit processing cost of cut-to-size slabs was mainly attributable to: (i) the Group's commitment to improving grades and diversification of cut-to-size slabs to meet market demand and the introduction of several new suppliers capable of implementing higher processing technologies in year 2015, resulting in increase in the unit cost; and (ii) the increase in the volume of the non-standard shaped slabs with higher processing fees during 2015.

Marble blocks mining costs

In 2015, marble blocks mining costs of the Group mainly included mining labour costs, materials consumption, fuel, power, depreciation of production equipment and amortization of mining rights. Benefited from the continuous effort on control of costs, the marble blocks mining cost per unit decreased by 30.6% compared to that of 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 Province, the processing centre; and (ii) short-distance transportation fees for transporting marble blocks to the transit yard and transportation allocation between the warehouse in Shuitou and processors according to the production and processing plan of the Group. Transportation costs accounted for approximately 5.6% and 9.5% of the production costs for 2015 and 2014, respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

During 2015, the Group realised a gross profit amounted to RMB177.8 million, decreased by approximately RMB39.1 million as compared to that of 2014. The gross profit margin in 2015 was approximately 53.5%, while the gross profit margin in 2014 was approximately 63.0%. The decrease in both the gross profit and gross profit margin was mainly attributed to the marketing strategy of offering cost-effective products to further penetrate into the market.

OTHER INCOME AND GAINS

Other income and gains mainly included interest income from bank deposits, foreign exchange gains and government grants. Interest income amounted to approximately RMB19.4 million, foreign exchange gains amounted to approximately RMB2.2 million and government grants amounted to approximately RMB1.8 million in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER EXPENSES

Other expenses mainly included provision for impairment provision of bad debt and bank charges. In 2015, provision for impairment of bad debt amounted to approximately RMB5.5 million, and bank charges amounted to approximately RMB0.2 million.

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, were approximately RMB34.9 million, representing approximately 10.5% of the revenue of 2015, while the selling and distribution expenses were approximately RMB27.5 million in 2014, representing approximately 8.0% of the revenue of 2014. The selling and distribution expenses in 2015 increased by RMB7.4 million as compared to those of 2014 and the proportion of revenue increased slightly. The Group actively integrated and expanded the marketing network under the background of macro economic downturn, so the product transportation fees, depreciation expenses, rental fee, advertisement and promotion fees, salaries of sales labor and travel expenses increased by RMB2.6 million, RMB1.6 million, RMB1.2 million, RMB0.8 million, RMB0.5 million and RMB0.3 million, respectively.

ADMINISTRATIVE EXPENSES

Administrative expenses, mainly consisted of salaries of administrative staff, consultancy fees, amortization expense of share option scheme, mineral resources compensation fee and depreciation expense, were approximately RMB42.7 million, representing approximately 12.9% of the revenue of 2015. The administrative expenses were approximately RMB43.0 million in 2014, representing approximately 12.5% of the revenue of 2014. The administrative expenses were stable between 2014 and 2015.

FINANCE COSTS

Finance costs mainly included interests on bank loans, interests on bills receivable discounted, interest on deferred payment from the acquisition of mining rights and related interests of rehabilitation. Finance costs for the year ended 31 December 2015 amounted to RMB16.6 million and increased by approximately RMB2.9 million as compared to that of 2014. The increase was mainly attributable to the increase in interests on bank loans and bills discounted.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES AND REMUNERATION POLICY

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

As at 31 December 2015, the total number of full-time employees of the Group was 349 (31 December 2014: 344). Employee costs (including the Directors' remunerations) amounted to approximately RMB42.2 million for 2015 (2014: approximately RMB50.9 million). Taking into account the strategic goal of the Group, operating results, efforts and contributions made by each of the executive Directors, senior management and employees, and for the purposes of recognizing their value, motivating for better performance and skills, maintaining the Company's fast-growing development and achieving its long and short-term goals, the remunerations are in line with the market performance and their qualifications and abilities, and makes adjustment according to varied percentage. Accordingly, the staff costs decreased slightly in 2015. 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. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors, senior management members and employees. Further, the Group adopted the Pre-IPO Share Option Scheme (as defined below) and the Share Option Scheme (as defined below). For further information on the Group's relationship with its employees, please refer to the section headed "Director's report — Business Review" in this report.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in a defined central pension scheme managed by the relevant local government authorities in Xiamen and Yongfeng where the Group is required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The local government authorities are responsible for the entire pension obligations payable to the retired employees and the Group has no obligation for the payment of retirement benefits beyond the annual contributions. In 2015, the contributions of approximately RMB2.1 million (2014: approximately RMB3.0 million) were charged to the profit and loss account as they became payable in accordance with the rules of the central pension scheme.

INCOME TAX EXPENSE

Income tax expense decreased from approximately RMB41.9 million for the year ended 31 December 2014 to approximately RMB25.2 million for the year ended 2015, mainly due to the decrease in taxable profits generated by the Group's subsidiaries in the PRC.

PROFITS AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

Revenue of the Group decreased for the year ended 31 December 2015, as a result, net profits attributable to owners of the Company also decreased to approximately RMB75.4 million, representing a decrease of 26.3% as compared to approximately RMB102.3 million of the net profits attributable to owners of the Company in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

NET CASH FLOWS FROM OPERATING ACTIVITIES

Net cash inflows generated from operating activities for 2015 were approximately RMB157.8 million (2014: net inflow of approximately RMB133.6 million), primarily including: (i) a profit before tax of approximately RMB100.6 million; (ii) the decrease in prepayments, deposits and other receivables amounted to approximately RMB10.8 million; and (iii) an increase in trade payables by approximately RMB47.1 million.

NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES

Net cash flows from investing activities in 2015 were approximately RMB22.7 million (2014: net outflow of approximately RMB746.3 million), primarily due to: (i) decrease in time deposits and restricted deposits amounted to RMB287.1 million and RMB7.8 million respectively; (ii) payment of the consideration of RMB250.0 million for acquisition of the entire equity of Ji'an Mining; (iii) payment of the installment for Yongfeng Mine amounted to RMB9.3 million; and (iv) payment for purchase of property, plant and equipment amounted to RMB12.7 million.

NET CASH FLOWS FROM FINANCING ACTIVITIES

Net cash inflows generated from financing activities in 2015 were approximately RMB1.7 million (2014: net inflow of approximately RMB11.0 million). During the year ended 31 December 2015, the Group borrowed bank loans amounted to approximately RMB192.4 million and repaid bank loans of approximately RMB190.7 million.

INVENTORIES AND TURNOVER DAYS

The Group's inventories increased by approximately 3.9%, from approximately RMB69.9 million as at 31 December 2014 to approximately RMB72.6 million as at 31 December 2015. It was primarily due to an increase in stock of products finished and work in progress. The inventory turnover days of the Group decreased from 187 in 2014 to 166 in 2015, such improvement in inventory turnover days was the result of the Group's effort in production planning to maintain a relatively rational inventory level.

TRADE RECEIVABLES AND TURNOVER DAYS

The Group's trade receivables and bills receivable increased from approximately RMB61.8 million as at 31 December 2014 to approximately RMB63.3 million as at 31 December 2015. The increase was primarily due to the delay on collection of receivables with long age, affected by the decline on macro economy. The turnover days for 2015 increased from 33 days in 2014 to 68 days. The increase in trade receivables turnover days was primarily due to the extension of granted credit period for one month to some of the Group's major customers during the year.

TRADE AND BILLS PAYABLES

The Group's trade and bills payables increased by approximately RMB47.1 million as compared to about RMB130.5 million as at 31 December 2014 and reached approximately RMB177.6 million as at 31 December 2015. The increase was primarily due to the increase in the bills used to settle the procurement payment.

MANAGEMENT DISCUSSION AND ANALYSIS

NET CURRENT ASSETS

Net current assets of the Group decreased from approximately RMB842.0 million as at 31 December 2014 by approximately 7.5% to approximately RMB778.7 million as at 31 December 2015, which was primarily due to the cash and bank balance used to acquire the entire equity in Ji'an Mining amounted to RMB250.0 million.

CURRENT RATIO

The current ratio, current assets over current liabilities, was 2.9 as at 31 December 2015 (31 December 2014: 3.5). The current ratio decreased primarily due to the decrease in cash and bank balance and the increases in trade and bills payables as at 31 December 2015.

BORROWINGS

The Group generally finances its operations with internally generated cash flows and banking credit facilities. As at 31 December 2015, the Group had total bank loans of RMB127.6 million (31 December 2014: RMB125.9 million). For the maturity profile of the Group's financial liabilities as at 31 December 2015, please refer to Note 35 to the consolidated financial statements of the Company.

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 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 31 December 2015 and 31 December 2014 were presented.

CAPITAL EXPENDITURE

The Group's ability to maintain and increase its sales and profits depends upon continued capital spending. Capital expenditures are used to purchase mining rights, land, property, plant and equipment. In 2015, the Group's expenditure mainly included: (i) purchase of property, plant and equipment aggregated to approximately RMB13.6 million; (ii) the installment of acquisition of mining right for Yongfeng Mine amounted to approximately RMB9.3 million; (iii) the construction expenditure of mining road for Yongfeng Mine amounted to RMB10.4 million; and (iv) the acquisition of Zhangxi Mine and Lingnan Mine amounted to RMB114.2 million.

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are located in Mainland China and most of the transactions were denominated in RMB, except for an amount due to the certain cash at banks that is denominated in HK$ and US$. As such, the Group has limited exposure to any significant foreign currency exchange risks. The Board does not expect any material impact on the Group's operations caused by any foreign currency fluctuations. No financial instruments were employed by the Group for hedging purpose during the year ended 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2015, the prepaid land lease payment amounted to approximately RMB12.8 million was pledged, and the pledged deposit of the issued bank acceptance amounted to RMB28.2 million. As at 31 December 2014, the Group's pledged deposit of the issued bank acceptance was RMB36.0 million.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2015, the Group had capital commitments of approximately RMB23.6 million for acquisition of property, plant and equipment and intangible assets, which were contracted but not provided for (2014: RMB10.4 million). As at 31 December 2015, the Group had no material contingent liabilities.

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

The net proceeds from the Company's listing and issue of new shares of the Company (the "Shares") amounted to approximately HK$833.0 million (equivalent to approximately RMB655.5 million). The net proceeds will be applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the Prospectus. During the year ended 31 December 2015, the utilized net proceeds were approximately RMB101.4 million (details as follow) and the remaining proceeds as at 31 December 2015 were approximately RMB524.3 million and they were deposited with licensed banks as time deposits in Mainland China and Hong Kong, respectively.

	Remaining as at 31 December 2015	**Utilised for the year 2015**
	RMB million	RMB million
Working capital and other general corporate purposes	47.1	9.3
Expansion of sales channels	46.0	17.0
Capital expenditure of Yongfeng Mine	253.0	4.4
Construction of slab processing facilities	178.2	5.1
Acquisition of marble resources	–	65.6
Total	524.3	101.4

MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER

On 8 December 2015, the Group as purchaser signed an equity transfer agreement with an independent third party as vendor, pursuant to which the Group conditionally agreed to acquire, and the vendor conditionally agreed to sell, the entire equity interests of Ji'an Mining, a company established in the PRC with mining permit for two marble stone mines in Lingnan Village and Zhangxi Village in Jiangxi Province, at a cash consideration of RMB250.0 million. The acquisition of Ji'an Mining was completed on 31 December 2015. For details of the transactions, please refer to the announcement of the Company dated 8 December 2015.

Save as otherwise, the Group did not have any material acquisition or disposal during the year ended 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR SUBSEQUENT EVENT

In order to enhance the Company's corporate governance practices and enable the Company to comply with the code provision A.2.1 of the 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"), the Company has separated the roles of the Chairman and the Chief Executive Officer by appointing Mr. GU Weiwen to replace Mr. LIU Chuanjia as the Chief Executive Officer with effect from 9 March 2016. Mr. LIU Chuanjia has resigned as the Chief Executive Officer with effect from the same date but remains as an executive Director and the Chairman of the Board. Details of the aforesaid changes can be referred to in the announcement of the Company published on the websites of the Stock Exchange and the Company on 9 March 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 21 March 2016, the Group completed the acquisition of entire interests in Shanghai Yunyi Enterprise Management Co., Ltd. ("Shanghai Yunyi") pursuant to the equity transfer agreement entered into by the Group and an independent vendor on 3 February 2016 (the "Acquisition"). The principal assets of Shanghai Yunyi are five commercial units with a total area of 2,431.18 square meters situated in the prime area in Puxi, Shanghai, the PRC which are being leased at the current stage. The consideration of HK$294,000,000 (equivalent to approximately RMB245,000,000) for the Acquisition was settled by the Company by issuing an aggregate of 260,000,000 consideration Shares at the issue price of HK$1.13 per Share pursuant to the general mandate granted to Directors on 16 June 2015.

By acquiring Shanghai Yunyi, the Group will be able to leverage the geographical strength of Shanghai as the financial, commercial and culture hub of the PRC, as well as take advantage of the appreciation potential of the five commercial units held by Shanghai Yunyi to yield promising rental return.

Save as disclosed above, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this report.

DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of eight Directors, including five executive Directors and three independent non-executive Directors. The table below sets forth information regarding our Board.

Name	Age	Management Position
Mr. LIU Chuanjia	38	Executive Director and Chairman
Mr. GU Weiwen (顧偉文)	46	Executive Director and Chief Executive Officer
Mr. ZHANG jian (張健)	41	Executive Director
Mr. WU Jing (伍晶)	30	Executive Director
Mr. LI Dingcheng (李定成)	53	Executive Director
Mr. LIU Jianhua (劉建華)	51	Independent non-executive Director
Mr. WANG Hengzhong (王恒忠)	47	Independent non-executive Director
Mr. JIN Sheng (金勝)	56	Independent non-executive Director

EXECUTIVE DIRECTORS

Mr. LIU Chuanjia, aged 38, became the founder of our Group in 2011 and is currently an executive Director and chairman of the Board of our Group (the "Chairman"). Mr. Liu is also the chairman of the nomination committee and a member of remuneration committee of the Company. Mr. Liu has over 14 years of experience in the stone trading industry and over seven years of experience in the stone sculpting industry. Since 2011, Mr. Liu has been mainly responsible for our Group's strategic planning and overall operation, including mining, sales and productivity expansion, reviewing and analyzing mineral exploration reports and feasibility reports, procuring mining, equipment and recruiting geology and mining experts. From 1992 to 1998, Mr. Liu worked as stone designer and sculptor at Hui'an Hailong Stone Carving Factory and Fujian Tengfei Ancient Architecture Landscape Co., Ltd., mainly responsible for design and carving of stone into sculpture. From 1999 to 2004, Mr. Liu operated the import and export of marble and granite jointly with Xiamen Sharing Metals & Minerals Import and Export Co., Ltd., and was mainly responsible for liaising with customers in Japan, Germany and the United States and collecting information on domestic stones. Mr. Liu was the executive director and general manager of Xiamen Zhonglianfa Import and Export Co., Ltd. from December 2004 to August 2012. During his tenure in Xiamen Zhonglianfa Import and Export Co., Ltd., Mr. Liu visited the mines and explored the stone industry in Japan, South Africa and Brazil and exported stone products including marbles to the United States, Canada, Turkey, Japan and South Korea. In 2008, Mr. Liu was elected as a permanent member of the second session of the Youth Committee of the Fujian Federation of Returned Overseas Chinese. In 2009, he was elected as the deputy chairman of the third session of the Youth Committee of the Fujian Federation of Returned Overseas Chinese. In 2012, Mr. Liu was the permanent member of the first session of the Fujian Federation of Overseas Chinese Entrepreneurs and a standing member of the third session of the council of Fujian Stone Industry Association. Since April 2013, he has been attending the executive leadership programme on management of small-to-medium enterprises organized by the Ministry of Industry and Information Technology at School of Management of Xiamen University. As of the date of this annual report, save as disclosed above, Mr. Liu did not hold directorship in any listed public companies in the past three years. Mr. Liu is interested in the entire issued share capital of Liu Investment Development Holdings Group Limited ("Liu's Group"), the substantial shareholder of the Company (the "Shareholder(s)"). Mr. Liu is therefore deemed to be interested in the 526,000,000 Shares held by Liu's Group for the purpose of Part XV of the Securities and Futures Ordinance (the "SFO").

DIRECTORS AND SENIOR MANAGEMENT

Mr. GU Weiwen (顧偉文), aged 46, has been appointed as the executive Director and Chief Executive Officer on 9 March 2016. Mr. Gu has nearly 26 years' experience in trading, investment and financing. Prior to joining the Group, Mr. Gu served as the wholesale executive of Shanghai Textiles Ltd.* (上海紡織品總公司) from July 1990 to July 1992. From August 1992 to September 1994, Mr. Gu served as the manager of the apparel department of Orient Shopping Center Ltd.* (上海東方商厦有限公司). From October 1994 to October 2000, Mr. Gu served as the general manger of Shanghai Huifeng Textile Group Ltd.* (上海惠豐毛紡織集團有限公司). From January 2001 to October 2011, Mr. Gu served as the general manager of Chengdu Runheng Investment Ltd.* (成都潤衡投資有限公司). From October 2011 to February 2016, Mr. Gu served as assistant to the chairman of China Dredging Environment Protection Holdings Limited (stock code: 871), a company listed on the Stock Exchange. Mr. Gu obtained the diploma from Commerce College of the Shanghai University (上海大學商學院) (now known as School of Economics, the Shanghai University) majoring in trading economics in July 1990. In 1991, Mr. Gu obtained the qualification as economic analyst as confirmed by the appraisal committee after the discussion by the vocation reform office of Shanghai Textiles Ltd.* (上海紡織品公司). In 1993, Mr. Gu obtained the qualification as an assistant economic analyst as confirmed by the appraisal committee for junior occupational positions of Shanghai Huifeng Textile Group Ltd.* (上海東方商厦有限公司). As of the date of this annual report, save as disclosed above, Mr. Gu did not hold directorship in any listed public companies in the past three years.

Mr. ZHANG Jian (張健**)**, aged 41, has been appointed as the executive Director on 9 March 2016 and is currently the deputy general manager of the Company and the general manager of the marble production and processing department and international sales department of the Company, where he is responsible for mine production management, marble processing and production and operations management and international sales management of the Group. Mr. Zhang joined the Group in October 2012 and has nearly 15 years' experiences in stone exploitation, stone processing, quality control and international trade of stone. Prior to joining the Group, Mr. Zhang served at unit 32525 of the People's Liberation Army of the People's Republic of China in Xiamen (廈門中國人民解放軍32525部隊) from December 1993 to December 1997. From March 2003 to March 2006, he served as a procurement officer of Best Cheer Stone Group Ltd.* (高時石材集團有限公司). From March 2006 to October 2012, he served as the procurement manger of Xiamen Zhonglianfa Import and Export Co., Ltd.* (廈門中聯發進出口有限公司). As of the date of this annual report, save as disclosed above, Mr. Zhang did not hold directorship in any listed public companies in the past three years.

Ms. WU Jing (伍晶), aged 30, has been appointed as the executive Director on 9 March 2016 and is currently the vice president of the Company. Ms. Wu is responsible for promotion and marketing affairs of the Company. Ms. Wu has 6 years' experience in corporate brand management. In 2010, Ms. Wu founded a management consulting firm, which provided consultancy services in relation to brand promotion, sales and public relations to the local and overseas organizations and corporations since February 2010, including but not limited to Information Services Department of The Government of the Hong Kong Special Administrative Region of the People's Republic of China, Hong Kong Tourism Board, Standard Chartered Bank (Hong Kong) Limited, Hang Seng Bank Limited, DTZ Holdings PLC, Sinopec (Hong Kong) Limited, Suning Commerce Group Co., Ltd., Powerchina Resources Ltd.. In June 2008, Ms. Wu obtained her bachelor's degree in biological technology from Wuhan University. She then obtained her master of science degree in environmental engineering from the Hong Kong University of Science and Technology and her master degree in industrial engineering and logistics management from the University of Hong Kong in November 2009 and November 2010, respectively. In 2015, she was awarded the "Ten Outstanding New Hong Kong Young Persons (十大傑出新香港青年)". She is currently the standing director of Jiangsu Women Association* (江蘇聯會婦女會) and the director of Jiangsu Youth Association* (江蘇青年總會). As of the date of this annual report, save as disclosed above, Ms. Wu did not hold directorship in any listed public companies in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

Mr. LI Dingcheng (李定成), aged 53, 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 26 years of experience in the mineral and geological exploration industry, with a particular focus on mine safety evaluation and management, based on his site visits of various mines, and understanding and analysis of the exploration and extraction process. Mine safety and environmental evaluation is an indispensable process for mine exploration and extraction and requires a concrete and substantial understanding of the techniques and procedures of mine exploration and extraction. Prior to joining our Company, from 1985 to 2000, Mr. Li had worked as an assistant engineer, engineer, senior engineer and the project leader of Geological Engineering Investigation Institute of National Building Materials Bureau, where he was responsible for the inspection, exploration planning and evaluation of various mineral resources including marbles and granite, the environmental impact evaluation on mines and cement factory construction projects, including a detailed review and analysis on marble mines and writing a report named The Manual on Chinese National Marble and Granite Decorative Stone Resources Distribution and Forecast Atlas. From February 2003 to June 2006, Mr. Li was the technical manager of the Environmental Impact and Safety Evaluation Centre of the Sino-African Geological Engineering Exploration Research Institute, where he was responsible for conducting safety assessment for outdoor and underground mining sites, including the review and assessment of mining exploration and extraction processes. For the evaluation of safety and the environmental impact of each mine, Mr. Li generally had to spend a period spanning from three to twelve months conducting site visits at the relevant mine, where he would study the characteristics of the mine and analyze the workflow of the exploration and extraction processes before devising a technical mining exploration and extraction proposal in compliance with the relevant laws and regulations. From August 2006 to December 2008, Mr. Li was a project manager at the Environmental Impact Evaluation Centre of China Research Academy of Environmental Sciences, where he was responsible for matters relating to environmental impact evaluation and planning of mines, which covered an analysis of the daily operation of mines and how the mining exploration and extraction process impacts on the environment. In carrying out such analysis, Mr. Li conducted site visits at the mines to inspect the characteristics of the mines, studied the workflow of the exploration and extraction processes, designed proposals to implement mining exploration and extraction activities in compliance with the relevant laws and regulations. From December 2008 and February 2010, he was the chief engineer and technical leader of the environmental impact assessment department and the person-in-charge of the safety assessment department in Beijing Zhong'an Quality Assessment Center, where he was responsible for the environmental evaluation of mines, which covered an analysis of the daily operation of mines and how the mining exploration and extraction process impacts on the surrounding environment. From February 2010 to February 2012, Mr. Li worked as the chief engineer, the technical director of No. 2 evaluation department and the manager of the projects department in Century Safety Technology Co., Ltd. (Beijing), where he was responsible for the safety evaluation of marble and granite quarries, which entailed a detailed review and analysis of the marble and granite exploration and extraction process. In carrying out such review and analysis, Mr. Li conducted site visits at the marble and granite mines to inspect the characteristics of the mines, and monitored the workflow of the exploration and extraction processes. Mr. Li graduated from Chengdu College of Geology (currently known as Chengdu University of Technology) with a bachelor's degree in engineering in July 1985, majoring in geology and mineral resources survey. Mr. Li was awarded the title of senior engineer in 1998. He is currently a certified safety engineer in the PRC. Mr. Li also has substantial achievement in stone theoretical research. Mr. Li received several awards on the research of stone theory. The project named PRC Natural Marble, Granite Resources and Research, which was led by Mr. Li, was awarded the second prize of 1992 yearly scientific and technological progress issued by China Construction Materials and Geological Prospecting Center. He also published the article named PRC Natural Marble, Decorative Granite Stone Resources Forecast and Analysis during the Third National Youth Geologists Symposium. As of the date of this annual report, save as disclosed above, Mr. Li did not hold directorship in any listed public companies in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Jianhua (劉建華), aged 51, 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 19 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 professor-grade senior engineer from SASAC in October 2009. As of the date of this annual report, save as disclosed above, Mr. Liu did not hold directorship in any listed public companies in the past three years.

Mr. WANG Hengzhong (王恒忠), aged 47, 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 16 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, and obtained an Executive Master of Business Administration from Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University in July 2015. 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. He was appointed as independent director of Shanghai Ganglian E-Commerce Holdings Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code: 300226.SZ) on 20 May 2014, and appointed as independent director of Great Wall Movie and Television Company Limited (listed on the Shenzhen Stock Exchange with stock code: 002071.SZ) on 14 December 2015. As of the date of this annual report, save as disclosed above, Mr. Wang did not hold directorship in any listed public companies in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

Mr. JIN Sheng (金勝), aged 56, was appointed as an independent non-executive Director on 9 December 2013. Mr. Jin is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Mr. Jin has over 16 years of experience in banking and finance. He was the director and deputy director, respectively, of the credit card business department, director of the credit card business center of Industrial and Commercial Bank of China Xiamen branch from September 1997 to April 2001, vice president of Xiamen Industrial and Commercial Bank of China from June 2001 to April 2007, specialist of Industrial and Commercial Bank of China Co., Ltd.. Tianjin Internal Audit Bureau from April 2007 to October 2007, president of Xiamen Industrial and Commercial Bank of China from October 2007 to November 2011 and vice president of Industrial and Commercial Bank of China Fujian branch from November 2011 to May 2012. Since January 2012, Mr. Jin has served as the president of Fengrun Financial Holding Group Ltd. Mr. Jin graduated from Xiamen University with a master's degree in senior management business administration in June 2012. He obtained the qualification of senior accountant from the Industrial and Commercial Bank of China in August 1999. As of the date of this annual report, save as disclosed above, Mr. Jin did not hold directorship in any listed public companies in the past three years. As at 31 December 2015, Mr. Jin is interested in 110,000 Shares (representing 0.01% of the issued share capital of the Company).

SENIOR MANAGEMENT

Mr. NIE Zhiqiang (聶志強), aged 48, 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 22 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHANG Jiyan (張繼燕), aged 44, is currently the deputy manager of the technology and quality research department and the deputy chief of the building preparatory group for the stone processing plant of the Company, where he is responsible for supervising mining and stone processing, as well as identifying processing contractors and coordinating the specific preparatory efforts for building the Company's own stone processing plant. He has almost 20 years of experience in marble processing and quality control and before joining the Company, he worked for various marble processing and trading companies including, among others, Xiamen Yongwen Stone Materials Factory* (廈門市永文石材廠), Baodeli Stone Materials Factory* (廈門市開元區包德力石板材廠), Fujian Shuitou Shijing Yongxing Stone Materials Factory* (福建水頭石井永興石材廠) (now known as Fuji an Quanzhou Huayi Stone Materials Limited* (福建省泉州市華益石材有限公司) and Zhangzhou Riquan Inspection Centre* (漳州日泉檢品中心), a subsidiary of Xiamen Riquan Trading Company* (廈門日泉貿易公司). During which, Mr. Zhang obtained experience in coordinating and guiding exploration and mining, which has enabled him to communicate and work effectively with the senior managers at the mines. He had also been involved in the development of a series of professional guidelines including raw material quality standards and slab quality standards, whereby the quality of the raw materials from mines, which are required at the processing stage, is strictly under control to ensure the best cutting quality from such raw materials for the purpose of an optimal production-sales relationship and a maximized use of stone resources. Mr. Zhang joined the Company in August 2011 when he was involved in the total management, operations and product quality control at the then newly acquired Yongfeng Mine. Subsequently, he acted as a key executive in charge of production and sales coordination and quality control, during which, he equipped with his professional competence in manufacturing processes and technologies and in both the national and the international quality control standards, closely supervised, guided and, on a continuing basis, improved the exploration, extraction and production process of contractors from the perspective of marketability, customer satisfaction and technical application. Mr. Zhang has administered stringent control over the quality of raw materials, semi-finished goods and final products of the Company having regard to market demand and product positioning. At the same time, Mr. Zhang formulates strategies and optimal improvement plans in line with market demand and in doing so, he has produced good results from the coordination efforts in production and sales.

Mr. LU Xuewen (盧學文), aged 49, is currently the manager of the Company's slab processing plant. He joined the Company in March 2014, and is mainly responsible for the supervision and management of stone processing, the selection and coordination of the external processing factories and the preparatory work for the building of the stone processing factory of the Company. He has over 15 years of experience in the marble processing industry and had worked in two marble processing companies prior to joining the Company. Between April 1999 to March 2014, Mr. Lu was the head of the production department of Zhuozhong Marble & Granite Co.* (卓眾石材公司) and the deputy factory director of Best Cheer (Xiamen) Stone Works Co., Ltd. (高時（廈門）石業有限公司), where he was responsible for the production management of the engineering plant of irregular-shaped marble materials and advised and participated in the development and implementation of the mining exploration and exploitation programme from the beginning to the end. Being the manager of the Company's slab processing plant, he provided advice on the development and impleme ntation of the plan of mining exploration and exploitation, communicated with the exploration departments and provided data including design patterns and specifications of marbles in line with the current market demand in order for the raw marbles to be extracted using appropriate methods for subsequent processing.

Mr. Qiu Yuyuan (邱宇元), aged 38, is currently in charge of the Group's financial planning, financial budget and management issues. Mr. Qiu joined the Group in September 2011, and has more than 10 years of experience in financial management. Prior to joining the Group, Mr. Qiu worked in Xiamen Overseas Chinese Electronic Co., Ltd., Xiamen Tsann Kuen Corporation Limited, and Lenovo Mobile Communication Technology Limited from August 2000 to February 2005, from March 2005 to March 2006, and from March 2006 to April 2010, respectively, and was in charge of relative financial auditing, business process reengineering, credit management and financial analysis in those companies. Mr. Qiu obtained the qualification of National Intermediate Accountant in 2004.

CORPORATE GOVERNANCE REPORT

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 adopted the code provisions of 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") as its own code to govern its corporate governance practices. The Company has been conducting its business according to the principles of the CG Code during the year ended 31 December 2015.

During the year ended 31 December 2015, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from code provision A.2.1 which is explained in the relevant paragraph of this corporate governance report.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards of dealings as set out in the Model Code throughout the year ended 31 December 2015, except for the non-compliance with Rules A.3(a)(i) and B.8 of the Model Code by Mr. LIU Chuanjia, an executive Director and a controlling Shareholder who pledged 526,000,000 Shares and 152,127,548 Shares held by Liu's Group during the black-out period for the publication of the Company's annual results for the year ended 31 December 2014. Immediately after the occurrence of the incidents, 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 and 2015 interim report of the Company).

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 Group who is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

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

Executive Directors:

Mr. LIU Chuanjia *(Chairman, Chairman of the Nomination Committee and member of the Remuneration Committee)*
Mr. GU Weiwen *(Chief Executive Officer)*
Mr. ZHANG Jian *(Deputy General Manager, Manager of Marble Production and Processing Department and International Sales Department)*
Ms. WU Jing *(Vice President)*
Mr. LI Dingcheng *(Manager of Geology, Production and Environmental Safety)*

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 24 to 28 of this annual report.

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

Chairman and Chief Executive Officer

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

The position of Chairman is held by Mr. LIU Chuanjia and he provides leadership and is responsible for the overall strategic planning and development of the Group and the effective functioning and leadership of the Board. The position of Chief Executive Officer was held by Mr. WU Wenzhen from 1 January 2015 to 26 November 2015 and he was responsible for overall management of the Group's day-to-day operations and directly oversees the strategic relationship department and the international marketing and sales division.

CORPORATE GOVERNANCE REPORT

On 27 November 2015, Mr. LIU Chuanjia was appointed as the Co-chief Executive Officer and Mr. WU Wenzhen was re-designated as a Co-chief Executive Officer. They were jointly responsible for the overall management of the Group's day-to-day operations. Upon the appointment of Mr. LIU Chuanjia as one of the Chief Executive Officers, Mr. LIU Chuanjia assumes both roles which resulted in deviation from code provision A.2.1 of the CG Code. Despite so, in view of the rapid development of the Group and the further expansion of its downstream business, the Board believes that with the support of the management and Mr. LIU Chuanjia's extensive experience and knowledge in the business of the Group, vesting the roles of both Chairman and Co-chief Executive Officer in Mr. LIU Chuanjia strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision which is beneficial to the business development of the Group. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. Details of the aforesaid changes may be referred to in the announcement of the Company published on the websites of the Stock Exchange and the Company on 27 November 2015.

On 31 December 2015, Mr. WU Wenzhen resigned as an executive Director and Co-chief Executive Officer. Following such resignation, Mr. LIU Chuanjia assumes the role as the Chief Executive Officer. Details of aforesaid changes can be referred to in the announcement of the Company published on the websites of the Stock Exchange and the Company on 31 December 2015.

In order to enhance the Company's corporate governance practices and enable the Company to comply with the code provision A.2.1 of the CG Code, the Company has separated the roles of the Chairman and the Chief Executive Officer by appointing Mr. GU Weiwen to replace Mr. LIU Chuanjia as the Chief Executive Officer with effect from 9 March 2016. Mr. LIU Chuanjia resigned as the Chief Executive Officer with effect from the same date but remains as an executive Director and the Chairman of the Board. Details of the aforesaid changes can be referred to in the announcement of the Company published on the websites of the Stock Exchange and the Company on 9 March 2016.

Independent Non-executive Directors

During the year ended 31 December 2015, 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.

CORPORATE GOVERNANCE REPORT

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

CORPORATE GOVERNANCE REPORT

The induction materials, including directors' manual and legal and regulatory update have been provided to the newly appointed Directors, Mr. GU Weiwen, Mr. Zhang Jian and Ms. WU Jing for their reference and studying.

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

Relevant reading materials including directors' manual and legal and regulatory update have been provided to the Directors for their reference and studying. The Directors have participated in the following trainings during the year ended 31 December 2015:

	Types of training
Executive Directors	
Mr. LIU Chuanjia	A,C
Mr. WU Wenzhen (resigned on 31 December 2015)	A,C
Mr. LI Dingcheng	A,B,C
Mr. HAN Yingfeng (resigned on 9 March 2016)	A,C
Non-executive Director	
Mr. WU Yun (resigned on 18 November 2015)	A,C
Independent non-executive Director	
Mr. LIU Jianhua	A,C
Mr. WANG Hengzhong	A,B,C
Mr. JIN Sheng	A,C

A Attending in-house briefing

B Attending seminar(s) and training(s)

C Reading materials relating to directors' duties and responsibilities

CORPORATE GOVERNANCE REPORT

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 page 6.

Audit Committee

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

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

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

During the year, the Audit Committee held three meetings, with all members present in person or through telephonic conferencing, to assess the independence of the Company's auditors, review the internal control and risk management systems, the Group's financial results and report for the year ended 31 December 2014, the Group's interim financial results and report for the six months ended 30 June 2015 before submission to the Board for approval and the amendments to the terms of reference of the Audit Committee in accordance with the amendments to Appendix 14 of the Listing Rules with effect from 1 January 2016.

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 2015 and the auditors' report thereon.

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

CORPORATE GOVERNANCE REPORT

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 all 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 formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

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

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

During the year, the Remuneration Committee held one meeting, with all members present in person or through telephonic conferencing, to review and make recommendation to the Board on the remuneration package of executive Directors and other related matters.

Nomination Committee

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

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

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

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

During the year, the Nomination Committee held two meetings, with all members present in person or through telephonic conferencing, to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider and recommend to the Board on the re-election of Directors at the Annual General Meeting. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2015 is set out in the table below:

	Attendance/Number of Meetings					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors						
Mr. LIU Chuanjia	4/4	N/A	1/1	2/2	1/1	1/1
Mr. WU Wenzhen (resigned on 31 December 2015)	3/4	N/A	N/A	N/A	0/1	0/1
Mr. LI Dingcheng	4/4	N/A	N/A	N/A	0/1	0/1
Mr. HAN Yingfeng (resigned on 9 March 2016)	4/4	N/A	N/A	N/A	0/1	0/1
Non-executive Director						
Mr. WU Yun (resigned on 18 November 2015)	3/3	N/A	N/A	N/A	0/1	1/1
Independent non-executive Director						
Mr. LIU Jianhua	4/4	3/3	N/A	2/2	0/1	0/1
Mr. WANG Hengzhong	4/4	3/3	1/1	N/A	*1/1	0/1
Mr. JIN Sheng	4/4	3/3	1/1	2/2	*1/1	0/1

* attendance by delegates

Apart from the four regular Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year ended 31 December 2015.

Corporate Governance Functions

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

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

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 58 to 59.

AUDITORS' REMUNERATION

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

During the year ended 31 December 2015, the total fees paid/payable in respect of audit services provided by Ernst & Young were RMB3.4 million. There was no non-audit service fee incurred for the year ended 31 December 2015.

INTERNAL CONTROLS

During the year ended 31 December 2015, 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. AI Qinghua, one of our joint company secretaries, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed.

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company, 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.

CORPORATE GOVERNANCE REPORT

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, Building B, Haifu Center, No.599, Sishui Road, Huli District, Xiamen, China (For the attention of the Board of Directors)
Fax:	+ 86 592 2132888
Email:	ir@artgo.cn

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2015, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the websites of the Stock Exchange and the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

In 2015, the Company was committed to enhance communication with capital market, and report the feedback from investors and analysts to the management of the Company in a timely manner, to achieve a dual-way interaction. During the year of 2015, the work conducted by the Company in respect of investor relations was as follows:

Enhancing Publicity Efforts in Capital Market and Conducting Multiple Non-Deal Roadshows in Hong Kong and Shenzhen

In 2015, the Company conducted multiple non-deal roadshows in Hong Kong and Shenzhen, met investors and analysts, introduced and promoted the Company, so as to improve the awareness and influence of the Company in the capital market.

Forming Closer Relationship with Brokers

During the Year, the Company gradually established closer connections with various broker institutions in the industry, and in the meantime, conducted a full range of cooperation, such as participating in the meeting held by brokers for investment Company's strategy to promote the Company; organizing brokers to conduct on-site visit of the Yongfeng Mine located in Jiangxi Province, the Company's headquarter in Xiamen and the marble processing plant located in Shuitou, Fujian Province; and cooperating with brokers in respect of research reports.

Communicating Regularly with Mass Investors and Analysts about Company Updates

The Company kept frequent and regular communication with mass investors and analysts through emails and monthly newsletters, and shared business-related information of the Company in a timely manner.

CORPORATE GOVERNANCE REPORT

Enhancing Relations with the Media

In 2015, the Company held various activities such as annual and interim results presentation, media luncheon and on-site visits, to further enhance communication with the media and improve the awareness of the Company.

HIGHLIGHTS OF INVESTOR RELATIONS WORK IN 2016

In 2016, the Company will strive to maintain stable results and achieve growth, deliver good performance in the existing marble industry and at the same time gradually pioneer new industries which have synergy with the marble industry.

In respect of investor relations work, the Company will continue to keep frequent communication with the capital market, and clearly deliver the development scheme and material updates of the Company to the capital market through voluntary announcements, monthly newsletters to investors, reverse roadshows and one-on-one meetings in a timely manner.

We greatly appreciate the continuous support and attention of our investors. Should investors have any enquiries, please email to ir@artgo.cn. Investors could also visit the section of investor relations in the website of the Company (http://www.artgo.cn/en/investment.php) to understand the latest announcement, circular and press release of the Company.

REPORT OF THE DIRECTORS

The Directors are pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

REORGANIZATION OF THE GROUP

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.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

Details of the use of proceeds from the Company's initial public offering are set out on page 22 of this annual report.

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.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement and the section headed "Management Discussion and Analysis" in this annual report.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not currently known to the Group or which may not be material now but could turn out to be material in the future.

1. *Our marble products may fail to gain market acceptance due to changes in consumers' consumption pattern*
   The increase of our revenue largely depends on market demand and consumer preference. Consumer preferences change over time, and our products may not meet the particular preferences of consumers, or replace their existing preferences. Our failure to anticipate, identify or react to these particular preferences or changes in customer preferences may limit the demand for any new products we introduce, which may result in us not being able to recover our development, production and marketing costs. If this occurs, our business, prospects, financial condition and results of operations may be materially adversely affected.

REPORT OF THE DIRECTORS

2. *We may face difficulties as we expand our sales network to new regions and further penetrate existing markets.*
   We intend to expand our sales network by further enhancing our existing geographical coverage and penetrating regions in the PRC as well as selecting overseas markets such as the North America and the Middle East. As we expand our business to new regions, we may encounter regulatory, personnel, technological and other difficulties that may increase our expenses or delay our ability to start our operations and expand our sales network in compliance with applicable regulatory requirements.

Environmental protection

The Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental measures to ensure that the conducting of the Group's business meets the applicable local standards and ethics in respect of environmental protection. The Group puts great emphasis in environmental protection and sustainable development. Through the establishment of an ever-improving management system, enhancement on procedure monitoring, energy conservation and environment protection were strongly promoted, leading to the remarkable achievement of environmental management.

Several measures have been implemented in order to mitigate environmental pollution, such as water saving, water recycling in the marble mine.

Compliance with laws and regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, the Group has complied in material respects with the relevant laws and regulations which have a significant impact on the business and operations of the Company during the year ended 31 December 2015.

REPORT OF THE DIRECTORS

Key relationships with its stakeholders

Workplace Quality

The Group believes that the Directors, senior management and employees are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. As such, the Pre-IPO Share Option Scheme, the Share Option Scheme and other incentive schemes were adopted by the Company for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different trainings, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organised charitable and staff-friendly activities for employees, such as annual dinner, to promote staff relationship.

The Group strives to provide a safe, effective and congenial working environment. Adequate arrangements, trainings and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of its staff. In order to provide employees with health coverage, its employees are entitled to medical insurance benefits.

Relationships with other stakeholders

The Group also understands that it is important to maintain good relationship with its distributors and customers to fulfil its long-term goals. To maintain its brand competitiveness and status, the Group aims at delivering constantly high standards of quality in the products to its distributors and customers. During the year, there was no material and significant dispute between the Group and its distributors and/or customers.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated financial statements of this annual report.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2015 (2014: Nil).

RESERVES

Details of movements in the reserves of the Group for the year ended 31 December 2015 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 2015, the reserves of the Company available for distribution to Shareholders amounted to approximately RMB829.1 million (2014: RMB866.9 million).

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's largest and five largest customers were approximately 9.6% and 27.2% of the Group's total sales respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were approximately 16.8% and 48.3% of the Group's total purchases respectively during the year.

During the year, none of the Directors, their close associates or any Shareholders (who to the knowledge of the Directors owned more than 5% of the issued Shares) 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 2015 are set out in note 22 to the consolidated financial statements of this annual report.

DONATIONS

The Group didn't make any charitable and other donations during the year (2014: RMB460,000).

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

No Shares were issued during the year ended 31 December 2015. Details of the share capital and share options of the Company during the year 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, 2013 , 2014 and 2015 are set out on page 118 to 119 of this annual report.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year and up to the date of this directors' report are as follows:

Executive Directors

Mr. LIU Chuanjia
Mr. WU Wenzhen (吳文珍) (resigned on 31 December 2015)
Mr. GU Weiwen (顧偉文) (appointed on 9 March 2016)
Mr. ZHANG Jian (張健) (appointed on 9 March 2016)
Ms. WU Jing (伍晶) (appointed on 9 March 2016)
Mr. LI Dingcheng (李定成)
Mr. HAN Yingfeng (韓英峰) (resigned on 9 March 2016)

Non-executive Director

Mr. WU Yun (吳雲) (resigned on 18 November 2015)

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 and Mr. JIN Sheng will retire by rotation as Director at the forthcoming AGM. All the above retiring Directors, being eligible, offer themselves for re-election at the forthcoming AGM.

Pursuant to article 83(3) of the Articles, Mr. GU Weiwen, Mr. ZHANG Jian, Ms. WU Jing, who were appointed as Directors during the period after the 2015 annual general meeting held on 16 June 2015, will hold office until the forthcoming AGM and be subject to re-election at such meeting.

REPORT OF THE DIRECTORS

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the 2015 interim report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Details of changes
Mr. LIU Chuanjia	• appointed as the co-chief executive officer of the Company on 27 November 2015
	• re-designated as the Chief Executive Officer on 31 December 2015 and resigned as the Chief Executive Officer on 9 March 2016
Mr. WU Wenzhen	• re-designated as the Co-chief Executive Officer on 27 November 2015
	• resigned as the executive Director and Co-chief Executive Officer on 31 December 2015
Mr. WANG Hengzhong	• appointed as an independent director of Great Wall Movie and Television Company Limited (a company listed on the Shenzhen Stock Exchange (stock code: 002071.SZ)) on 14 December 2015

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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as the Pre-IPO Share Option Scheme, at no time during the year 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 (the "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 principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme (as defined below) except that:

(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 9,000,007 Shares representing 0.56% 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;

REPORT OF THE DIRECTORS

(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.

REPORT OF THE DIRECTORS

(h) *Status of the options granted*

Save for the options which have been granted under the Pre-IPO Share Option Scheme on 30 December 2013, no further options have been, and will be, offered or granted under the Pre-IPO Share Option Scheme.

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

Category/ name of participants	Number of options Outstanding as at 1 January 2015	Number of share options Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Number of options Outstanding as at 31 December 2015	Exercise price HK$	Date of grant
Director							
Han Yingfeng	2,000,001 (Note 2)	–	–	200,000	1,800,001	2.39	30 December 2013
Other employees In aggregate	10,000,005	–	–	999,998	9,000,007	2.39	30 December 2013
Total	12,000,006 (Note 1)	–	–	1,199,998 (Note 3)	10,800,008		

Notes:

(1) The exercise periods of the share options granted under the Pre-IPO Share Option Scheme on 30 December 2013 are as follows:

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

(2) Mr. Han Yingfeng resigned as a Director on 9 March 2016.

(3) A total of 1,199,998 share options lapsed during the year.

REPORT OF THE DIRECTORS

Share Option Scheme

The Company adopted a share option scheme (the "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 8.4% 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.

REPORT OF THE DIRECTORS

(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).

(j) *Status of the options granted*

Since the Listing Date, no further options have been offered or granted under the Share Option Scheme.

REPORT OF THE DIRECTORS

DISCLOSURE OF INTERESTS

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

As at 31 December 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 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) Interest in the Shares:

Name of Director	Capacity	Number of Shares interested (Note (1))	Approximate percentage of the issued Shares
Mr. LIU Chuanjia	Interest in controlled corporation (Note (2))	526,000,000(L)	39.45%
Mr. JIN Sheng	Beneficial Owner	110,000(L)	0.01%

(b) Interest in the underlying Shares

Name of Director	Capacity	Number of Shares in the Company subject to options under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding attributable to the options under the Pre-IPO Share Option Scheme
Mr. HAN Yingfeng	Beneficial owner	1,800,001	0.14%

(c) Interest in the shares of the associated corporation of the Company:

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

REPORT OF THE DIRECTORS

Notes:

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

(2) As at 31 December 2015, 526,000,000 Shares held by Liu's Group were still pledged in favour of an independent third party as the security for a loan facility provided to Liu's Group. 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.

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

As at 31 December 2015, as far as is known to the Directors or chief executive of the Company, the interests or short positions of the persons (other than the interests disclosed above in respect of the Directors and the chief executive) 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 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	526,000,000(L) (Note 2)	39.45%
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%

REPORT OF THE DIRECTORS

Name	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the issued share capital of the Company
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 (Note 4)	130,678,000(L)	9.8%
Ms. Lisa Leung	Interest in controlled corporation (Note 4)	130,678,000(L)	9.8%
Kingston Finance Limited	Security Interest (Note 5)	526,000,000(L)	39.45%
Ample Cheer Limited	Interested in controlled corporation (Note 5)	526,000,000(L)	39.45%
Best Forth Limited	Interested in controlled corporation (Note 5)	526,000,000(L)	39.45%
Ms. Chu Yuet Wah	Interested in controlled corporation (Note 5)	526,000,000(L)	39.45%

Notes:

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

(2) As at 31 December 2015, 526,000,000 Shares held by Liu's Group were still pledged in favour of an independent third party as the security for a loan facility provided to Liu's Group.

(3) 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. Such information was made reference to the information in the disclosure of interest form filed by The Carlyle Group L.P. on 14 January 2014.

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

(5) Kingston Finance Limited is wholly owned by Ample Cheer Limited, which is owned as to 80% by Best Forth Limited, a company wholly owned by Ms. Chu Yuet Wah. By virtue of the SFO, each of Ample Cheer Limited, Best Forth Limited and Ms. Chu Yuet Wah is deemed to be interested in the Shares held by Kingston Finance Limited. Such information was made reference to the information in the disclosure of interest form filed by Ms. Chu Yuet Wah on 30 January 2015.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Other than the Pre-IPO Share Option Scheme and Share Option Scheme as disclosed in this report, no equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Under the Articles, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

MANAGEMENT CONTRACTS

For the year ended 31 December 2015, there is no contract entered into by the Company relating to its management and administration or subsisting during the year which is substantial to the entire or any substantial 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 2015.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2015 is contained in note 33 to the consolidated financial statements of this annual report. The related party transactions disclosed in note 33 to the consolidated financial statements are connected transactions or continuing connected transactions that were fully exempt from reporting, announcement, independent shareholders' approval and/or annual review pursuant to Rules 14A.76(1), 14A.90 and 14A.95 of the Listing Rules. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of such continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the year, 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

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors has confirmed that he is neither engaged, nor interested, in any business which, directly or indirectly, competes or is likely to compete with the Group's business (apart from 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 2015. The independent non- executive Directors have also reviewed the compliance with the non-competition undertakings under the Deed by the controlling Shareholders and confirmed that the controlling Shareholders have not been in breach of the Deed during the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS FOR ATTENDING AND VOTING AT THE ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Monday, 23 May 2016 to Wednesday, 25 May 2016 (both dates inclusive, 3 business days in total) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2016 annual general meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 May 2016.

AUDITORS

Ernst & Young has acted as auditors of the Company and has audited the Company's financial statements for the year ended 31 December 2015. 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.

On behalf of the Board

LIU Chuanjia
Executive Director, Chairman

Hong Kong, 31 March 2016

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of ArtGo Holdings Limited (the "Company") and its subsidiaries set out on pages 60 to 117, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	4	**332,217**	344,339
Cost of sales		**(154,448)**	(127,511)
Gross profit		**177,769**	216,828
Other income and gains	5	**23,632**	19,905
Selling and distribution expenses		**(34,861)**	(27,541)
Administrative expenses		**(42,715)**	(43,018)
Other expenses		**(6,586)**	(8,259)
Finance costs	6	**(16,606)**	(13,698)
PROFIT BEFORE TAX	7	**100,633**	144,217
Income tax expense	9	**(25,226)**	(41,885)
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR		**75,407**	102,332
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
— Basic and diluted	11	**RMB0.06**	RMB0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**65,346**	48,331
Prepaid land lease payments	13	**12,502**	12,768
Intangible assets	14	**191,740**	77,413
Prepayments, deposits and other receivables	18	**15,196**	16,225
Payments in advance	15	**1,946**	2,400
Deferred tax assets	25	**7,721**	5,801
Restricted deposits	19	**2,312**	1,702
Total non-current assets		**296,763**	164,640
CURRENT ASSETS			
Inventories	16	**72,622**	69,898
Trade receivables	17	**63,321**	61,836
Prepayments, deposits and other receivables	18	**163,586**	40,739
Pledged deposits	19	**28,174**	36,000
Cash and bank balances	19	**861,324**	966,501
Total current assets		**1,189,027**	1,174,974
CURRENT LIABILITIES			
Trade and bills payables	20	**177,616**	130,470
Other payables and accruals	21	**80,769**	62,120
Tax payables		**24,376**	14,513
Interest-bearing bank loans	22	**127,600**	125,900
Total current liabilities		**410,361**	333,003
NET CURRENT ASSETS		**778,666**	841,971
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,075,429**	1,006,611

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**2,322**	3,174
Other payables	21	**9,300**	18,600
Deferred income	23	**5,690**	5,900
Provision for rehabilitation	24	**12,493**	11,712
Total non-current liabilities		**29,805**	39,386
Net assets		**1,045,624**	967,225
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**10,492**	10,492
Reserves	28	**1,035,132**	956,733
Total equity		**1,045,624**	967,225

Liu Chuanjia
Director

Zhang Jian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Issued capital RMB'000 (note 26)	Share premium account RMB'000 (note 28(a))	Statutory surplus 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))	Retained earnings/ (accumulated losses) RMB'000	Total 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 year	–	–	–	–	–	–	–	102,332	102,332
Transfer from reserves	–	–	11,377	–	–	–	–	(11,377)	–
Establishment for safety fund surplus reserve	–	–	–	476	–	–	–	(476)	–
Utilisation of safety fund	–	–	–	(298)	–	–	–	298	–
Equity-settled share option arrangement	–	–	–	–	3,833	–	–	–	3,833
At 31 December 2014 and 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 year	–	–	–	–	–	–	–	75,407	75,407
Transfer from reserves (note 28(b))	–	–	8,475	–	–	–	–	(8,475)	–
Establishment for safety fund surplus reserve (note 28(c))	–	–	–	238	–	–	–	(238)	–
Utilisation of safety fund (note 28(c))	–	–	–	(291)	–	–	–	291	–
Equity-settled share option arrangement (note 27)	–	–	–	–	2,992	–	–	–	2,992
Transfer of share option reserve upon the forfeited or expiry of share option	–	–	–	–	(584)	–	–	584	–
At 31 December 2015	10,492	866,908*	21,160*	707*	6,258*	(19,048)*	26,636*	132,511*	1,045,624

* These reserve accounts comprise the consolidated reserves of RMB1,035,132,000 (2014: RMB956,733,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**100,633**	144,217
Adjustments for:			
Depreciation of items of property, plant and equipment	12	**7,188**	4,887
Amortisation of prepaid land lease payments	13	**266**	266
Amortisation of intangible assets	14	**598**	936
Impairment of trade receivables	17	**5,482**	–
Loss on disposal of items of property, plant and equipment	7	**32**	1
Deferred income released to profit or loss	23	**(210)**	(105)
Loss on written off of payments in advance	7	**–**	2,750
Equity-settled share option expense	27	**2,992**	3,833
Finance costs	6	**16,606**	13,698
Unrealised foreign exchange losses/(gains), net		**295**	(5)
Bank interest income	5	**(19,416)**	(17,418)
		114,466	153,060
Increase in trade receivables		**(6,967)**	(46,130)
Increase in inventories		**(2,724)**	(8,925)
Decrease/(increase) in prepayments, deposits and other receivables		**10,824**	(25,299)
Increase in trade and bills payables		**47,146**	107,503
Decrease in an amount due from a related party		**–**	197
Increase/(decrease) in other payables and accruals		**6,686**	(2,794)
Cash generated from operations		**169,431**	177,612
Income tax paid		**(18,135)**	(39,928)
Interest paid		**(15,834)**	(11,836)
Interest received		**22,292**	7,708
Net cash flows from operating activities		**157,754**	133,556

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(12,741)	(9,580)
Purchase of mining rights		(9,300)	(9,300)
Purchase of software		(138)	(513)
Acquisition of a subsidiary	29	(249,995)	–
Expenditure on exploration and evaluation assets		–	(1,279)
Proceeds from disposal of items of property, plant and equipment		12	1
Receipt of a government grant		–	6,005
Decrease/(increase) in time deposits with maturity of over three months		287,072	(685,000)
Prepaid land lease payments		–	(10,629)
Decrease/(increase) in restricted deposits		7,826	(36,000)
Net cash flows from/(used in) investing activities		22,736	(746,295)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		192,376	194,900
Repayment of bank loans		(190,676)	(183,900)
Net cash flows from financing activities		1,700	11,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		182,190	(601,739)
Cash and cash equivalents at beginning of the year		108,001	709,735
Effect of foreign exchange rate changes, net		(295)	5
CASH AND CASH EQUIVALENTS AT END OF YEAR		289,896	108,001
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand and cash at banks		289,896	108,001
Non-pledged time deposits	19	571,428	858,500
Cash and bank balances	19	861,324	966,501
Time deposits with original maturity of over three months	19	(571,428)	(858,500)
Cash and cash equivalents		289,896	108,001

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP 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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

During the year, the Company and its subsidiaries were principally engaged in the business of mining, processing and sale of marble stones. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the Directors, Liu's Group, a company incorporated in the BVI, is the holding company of the Company and Mr. Liu Chuanjia ("Mr. Liu") is the ultimate controlling shareholder of the Company.

Information about subsidiaries

Particulars of the Company's subsidiaries 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 Investment Limited	BVI 26 September 2011	US$1	100	Investment holding
Indirectly held:				
ArtGo HK	Hong Kong 3 October 2011	HK$100	100	Investment holding
Huijin Stone (1)	PRC/Mainland China 19 October 2011	US$90,000,000	100	Retail and wholesale of decorating materials
Jueshi Mining (2)	PRC/Mainland China 28 December 2009	RMB60,000,000	100	Mining exploration, processing and sale of marble stones
ArtGo Stone (1)	PRC/Mainland China 17 September 2013	US$18,000,000	100	Processing and sale of marble stones; and technical service of stone processing

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION — *continued*

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
Fujian Nan'an ArtMore Stone Co., Ltd. 福建南安之尚石業有限公司[(2)] ("ArtMore Stone")	PRC/Mainland China 24 September 2015	RMB1,000,000	100	Processing and sale of marble stones
Ji'an Mining [(2)]	PRC/Mainland China 21 January 2012	RMB140,000,000	100	Mining investment, mining planting projects and sale of decoration materials

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

(2) Jueshi Mining, ArtMore Stone and Ji'an Mining are registered as domestic enterprises under PRC law.

During the year, the Group acquired Ji'an Mining from an independent third party. Further details of this acquisition are included in note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB") and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. They have been prepared under the historical cost convention. These financial statements are presented in 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 2015. A subsidiary is an 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 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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 profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs

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

In addition, the Company has adopted the amendments to the Listing Rules issued by Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
IFRS 16	*Leases*[4]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 7	*Statement of Cash Flows*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[1]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2018
[4] Effective for annual periods beginning on or after 1 January 2019
[5] Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
[6] No mandatory effective date yet determined

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs — *continued*

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

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

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

In January 2016, the IASB issued IFRS 16 which requires lessees to recognise assets and liabilities for most leases. Under the new standard, a lease is a contract, or part of a contract, that conveys the right to use an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset and direct the use of the identified asset. Lessees are required to initially recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the identified asset for the lease term. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made. The related right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 *Property, Plant and Equipment*. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs — *continued*

Amendments to IAS 1 include narrow-focus improvement in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that the entities have flexibility as to the order in which they present the notes to the financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 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 is measured at fair value with changes in fair value recognised in profit or loss. 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 (a) consideration transferred, (b) the amount recognised for non-controlling interests; and (c) 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 31 December. 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.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Merger accounting for business combinations under common control

The consolidated financial statements include the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Impairment of non-financial assets

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

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

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

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Related parties — *continued*

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

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

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

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

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

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

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

(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); and

(viii) the entity, or any member of a group which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Property, plant and equipment and depreciation — *continued*

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 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 in proportion to the extraction of the proved and probable mineral reserves. The estimated useful lives of the mining infrastructure is 30 years, which is determined in accordance with the production plans of the entity concerned and the proved and probable reserves of mines using the UOP method.

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

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

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

Stripping activity asset

Stripping activity asset shall be recognised if, and only if, all of the following are met: (a) it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the Group; (b) the Group can identify the component of the ore body for which access has been improved; and (c) the costs relating to the stripping activity associated with that component can be measured reliably. If all of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Intangible assets

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

Mining rights

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

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.

Operating leases

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

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

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, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. During the year ended 31 December 2014 and 2015, the Group only held loans and receivables. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Financial Assets — *continued*

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Impairment of financial assets — *continued*

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities included trade and other payables and interest-bearing bank loans, all of which were classified as loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Financial liabilities — *continued*

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of 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

For the purpose of the consolidated statement of cash flows, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Provisions

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

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

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

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

Income tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Income tax — *continued*

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any 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, and the carryforward 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Government grants

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

Revenue recognition

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

(a) from the sale of goods, 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

(b) 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 a share option scheme 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 in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Share-based payments — *continued*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs 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.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the Directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional 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).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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 reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

(a) *Impairment of receivables*

Impairment of receivables is estimated based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. The impairment provision for trade receivables as at 31 December 2015 was RMB5,482,000 (2014: Nil). Further details are given in note 17 to the financial statements.

(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 2015 was RMB24,376,000 (2014: RMB14,513,000).

(c) *Useful lives of property, plant and equipment*

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment as at 31 December 2015 was RMB65,346,000 (2014: RMB48,331,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING ESTIMATES — *continued*

Estimation uncertainty — *continued*

(d) *Deferred tax assets*

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2015 was RMB7,721,000 (2014: RMB5,801,000). Further details are contained in note 25 to the financial statements.

(e) *Mine reserves*

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

(f) *Provision for rehabilitation*

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate of 6.13% (2014: 6.15%) as at 31 December 2015 to reflect 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 2015 was RMB12,493,000 (2014: RMB11,712,000).

(g) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories as at 31 December 2015 was RMB72,622,000 (2014: RMB69,898,000).

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4. REVENUE AND OPERATING SEGMENT INFORMATION

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

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

Entity-wide disclosures

Information about products

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

	2015		2014	
	RMB'000	**%**	RMB'000	%
One-side-polished slabs	**94,312**	**28**	70,682	21
Cut-to-size slabs	**106,787**	**32**	234,707	68
Marble blocks	**131,118**	**40**	38,950	11
	332,217	**100**	344,339	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 year. The geographical locations of customers are determined based on the locations at which the goods were delivered.

	2015	2014
	RMB'000	RMB'000
Domestic*:		
Mainland China	**311,690**	321,539
Overseas	**20,527**	22,800
	332,217	344,339

* Place of domicile of the Group's principal subsidiaries, Jueshi Mining, Huijin Stone, ArtGo Stone and ArtMore Stone.

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

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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:

	2015	2014
	RMB'000	RMB'000
Customer A	*	56,082
Customer B	*	50,774

* Less than 10% of the total revenue

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2015	2014
	RMB'000	RMB'000
Bank interest income	**19,416**	17,418
Foreign exchange gain, net	**2,150**	–
Government grants*	**1,820**	2,315
Deferred income released to profit or loss (note 23)	**210**	105
Miscellaneous	**36**	67
Total other income and gains	**23,632**	19,905

* There were no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
	RMB'000	RMB'000
Interest on bank loans	**8,363**	6,555
Interest on bills receivable discounted (note 17)	**6,247**	4,774
Interest on payables relating to the purchase of mining rights	**1,215**	1,698
Unwinding of a discount for rehabilitation (note 24)	**781**	671
	16,606	13,698

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7. PROFIT BEFORE TAX

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		**154,448**	127,511
Employee benefit expense (including directors' and chief executive's remuneration set out in note 8):			
Wages and salaries		**33,435**	41,554
Equity-settled share option expense	27	**2,992**	3,833
Welfare and other benefits		**1,576**	1,620
Pension scheme contributions			
— Defined contribution fund		**2,118**	2,968
Housing fund			
— Defined contribution fund		**2,114**	974
Total employee benefit expense		**42,235**	50,949
Depreciation of items of property, plant and equipment	12	**7,188**	4,887
Amortisation of prepaid land lease payments	13	**266**	266
Amortisation of intangible assets	14	**598**	936
Depreciation and amortisation expenses		**8,052**	6,089
Minimum lease payments under operating leases:			
— Office		**4,760**	3,616
— Warehouses		**4,677**	3,418
— Parcels of land located at Shangsheng Village	18(a)	**819**	819
Auditors' remuneration		**3,433**	3,231
Foreign exchange loss/(gain), net		**(2,150)**	3,380
Write-off of payments in advance for software		**–**	2,750
Impairment of trade receivables	17	**5,482**	–
Loss on disposal of items of property, plant and equipment		**32**	1
Bank interest income	5	**(19,416)**	(17,418)

NOTES TO THE FINANCIAL STATEMENTS

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

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	418	481
Other emoluments:		
Salaries, allowances and benefits in kind	2,199	3,038
Equity-settled share option expense	499	640
Pension scheme contributions	76	45
	2,774	3,723
	3,192	4,204

(a) Independent non-executive directors

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

	2015 RMB'000	2014 RMB'000
Mr. Liu Jianhua	126	147
Mr. Wang Hengzhong	166	187
Mr. Jin Sheng	126	147
	418	481

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2015					
Executive directors					
Mr. Liu Chuanjia	–	388	2	–	390
Mr. Wu Wenzhen[(1)]	–	1,294	23	–	1,317
Mr. Han Yingfeng	–	305	23	499	827
Mr. Li Dingcheng	–	212	28	–	240
	–	2,199	76	499	2,774
Non-executive director					
Mr. Wu Yun[(2)]	–	–	–	–	–
	–	2,199	76	499	2,774
2014					
Executive directors					
Mr. Liu Chuanjia	–	1,832	2	–	1,834
Mr. Wu Wenzhen[(1)]	–	63	2	–	65
Mr. Han Yingfeng	–	259	17	640	916
Mr. Li Dingcheng	–	263	22	–	285
Mr. Wang Pingyao[(3)]	–	115	1	–	116
Mr. Fan Huiming[(4)]	–	506	1	–	507
	–	3,038	45	640	3,723
Non-executive director					
Mr. Wu Yun[(2)]	–	–	–	–	–
	–	3,038	45	640	3,723

(1) Mr. Wu Wenzhen resigned as the Company's chief executive officer and executive director on 31 December 2015.
(2) Mr. Wu Yun is entitled to a director's fee of HK$1 per annum and resigned on 19 November 2015.
(3) Mr. Wang Pinyao retired as the Company's executive director on 28 May 2014.
(4) Mr. Fan Huiming resigned as the Company's executive director on 11 July 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

(c) Five highest paid employees

The five highest paid employees during the year included one director who was also the chief executive (2014: one director who was also the chief executive), details of whose remuneration are set out in note 8(b) above. Details of the remuneration for the year of the remaining four (2014: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	3,288	3,819
Equity-settled share option expense	1,995	2,556
Pension scheme contributions	28	18
	5,311	6,393

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

	Number of employees	
	2015	2014
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$2,000,000	4	3
HK$2,000,001 to HK$3,000,000	–	1
	4	4

9. INCOME TAX

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

9. INCOME TAX — *continued*

The major components of income tax expense were as follows:

	2015 RMB'000	2014 RMB'000
Current — Mainland China		
Charge for the year	**27,998**	47,708
Deferred (note 25)	**(2,772)**	(5,823)
	25,226	41,885

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

	2015 RMB'000	2014 RMB'000
Profit before tax	**100,633**	144,217
Tax at the respective statutory tax rates:		
— Mainland China subsidiaries, at 25%	**28,176**	38,841
— Hong Kong subsidiary, at 16.5%	**(1,992)**	134
Non-deductible expenses	**2,135**	3,068
Income not subject to tax	**(2,868)**	(25)
Tax losses accumulated from previous periods	**(225)**	(133)
Income tax expense	**25,226**	41,885

10. DIVIDENDS

At a meeting of the Board of Directors held on 31 March 2016, the Directors resolved not to declare any dividend to shareholders for the year ended 31 December 2015 (2014: Nil).

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

The calculation of basic earnings per share for the year ended 31 December 2015 is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,333,334,000 (2014: 1,333,334,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

NOTES TO THE FINANCIAL STATEMENTS

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12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Mining infrastructure	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2015							
Cost:							
At 1 January 2015	1,622	25,831	5,054	6,105	13,578	6,046	58,236
Additions	–	2,576	571	–	–	20,898	24,045
Acquisition of a subsidiary (note 29)	–	–	74	128	–	–	202
Disposals	–	–	(3)	(61)	–	–	(64)
Transferred	14,448	–	7,304	–	–	(21,752)	–
At 31 December 2015	16,070	28,407	13,000	6,172	13,578	5,192	82,419
Accumulated depreciation:							
At 1 January 2015	678	6,478	1,444	1,180	125	–	9,905
Provided for the year	573	3,352	2,481	652	130	–	7,188
Disposals	–	–	(1)	(19)	–	–	(20)
At 31 December 2015	1,251	9,830	3,924	1,813	255	–	17,073
Net carrying amount:							
At 1 January 2015	944	19,353	3,610	4,925	13,453	6,046	48,331
At 31 December 2015	14,819	18,577	9,076	4,359	13,323	5,192	65,346
31 December 2014							
Cost:							
At 1 January 2014	1,015	25,402	3,112	4,073	9,330	3,138	46,070
Additions	217	429	1,945	2,032	1,135	6,411	12,169
Disposals	–	–	(3)	–	–	–	(3)
Transferred	390	–	–	–	3,113	(3,503)	–
At 31 December 2014	1,622	25,831	5,054	6,105	13,578	6,046	58,236
Accumulated depreciation:							
At 1 January 2014	548	3,177	651	581	62	–	5,019
Provided for the year	130	3,301	794	599	63	–	4,887
Disposals	–	–	(1)	–	–	–	(1)
At 31 December 2014	678	6,478	1,444	1,180	125	–	9,905
Net carrying amount:							
At 1 January 2014	467	22,225	2,461	3,492	9,268	3,138	41,051
At 31 December 2014	944	19,353	3,610	4,925	13,453	6,046	48,331

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

13. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	13,034	–
Additions	–	13,300
Amortisation during the year	(266)	(266)
Carrying amount at 31 December	12,768	13,034
Portion classified as current assets (note 18)	(266)	(266)
Non-current portion	12,502	12,768

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

As at December 2015, the Group's prepaid land lease payment with a carrying amount of RMB12,768,000 (2014: Nil) was pledged as a security for the certain bank loan granted to the Group (note 22(a)).

14. INTANGIBLE ASSETS

	Mining rights RMB'000	Software RMB'000	Total RMB'000
31 December 2015			
Cost at 1 January 2015, net of accumulated amortisation	76,237	1,176	77,413
Additions	–	723	723
Acquisition of a subsidiary (note 29)	114,202	–	114,202
Amortisation provided during the year	(425)	(173)	(598)
At 31 December 2015	190,014	1,726	191,740
Analysed as:			
Cost	195,339	2,006	197,345
Accumulated amortisation	(5,325)	(280)	(5,605)
Net carrying amount	190,014	1,726	191,740
31 December 2014			
Cost at 1 January 2014, net of accumulated amortisation	77,089	117	77,206
Additions	–	1,143	1,143
Amortisation provided during the year	(852)	(84)	(936)
At 31 December 2014	76,237	1,176	77,413
Analysed as:			
Cost	81,137	1,283	82,420
Accumulated amortisation	(4,900)	(107)	(5,007)
Net carrying amount	76,237	1,176	77,413

NOTES TO THE FINANCIAL STATEMENTS

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15. PAYMENTS IN ADVANCE

	2015 RMB'000	2014 RMB'000
In respect of the purchase of:		
Property, plant and equipment	**1,946**	2,400

16. INVENTORIES

	2015 RMB'000	2014 RMB'000
Finished goods	**63,465**	62,407
Work in progress	**8,590**	6,699
Materials and supplies	**567**	792
	72,622	69,898

17. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**68,803**	61,836
Impairment	**(5,482)**	–
	63,321	61,836

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

	2015 RMB'000	2014 RMB'000
Within 1 month	**8,532**	8,633
1 to 3 months	**25,174**	6,615
3 to 6 months	**26,928**	32,080
6 to 12 months	**1,854**	13,267
Over 1 year	**833**	1,241
	63,321	61,836

As at 31 December 2015, trade receivables contained retention money receivables of RMB15,003,000 (2014: RMB11,559,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

17. TRADE RECEIVABLES — *continued*

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

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

Impairment of trade receivables recognised during the year ended 31 December 2015 represented a provision for individually impaired trade receivables of RMB5,482,000 (2014: Nil) with a carrying amount before provision of RMB6,043,000 (2014: Nil). The individually impaired trade receivables related to certain customers that were in financial difficulties, with whom the Group had stopped supplying goods, initiated discussions on repayment terms and is in the midst of monitoring their repayment schedules. Whilst the Group will continue to follow up closely on the receivable status, the recoverability of part of the receivables has specifically been affected by the weak market condition, may be delayed for a longer-than-expected period or part of the receivables may not be recoverable. As such, the Group had made an impairment provision of RMB5,482,000 as at 31 December 2015. Despite such provision and longer-than-expected repayment periods, the Group will initiate necessary actions to recover these receivables in part or in full.

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

	2015 **RMB'000**	2014 RMB'000
Neither past due nor impaired	**52,698**	59,870
Past due but not impaired:		
Less than 1 month past due	**1,166**	812
Over 1 month and less than 3 months past due	**8,266**	292
Over 3 months past due	**630**	862
	62,760	61,836

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

17. TRADE RECEIVABLES — *continued*

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

During the year, the Group has recognised interest expense of RMB6,247,000 (2014: RMB4,774,000) (note 6) on discounted bills issued for intra-group transactions.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2015** **RMB'000**	2014 RMB'000
Current portion:			
Prepayments in respect of:			
— Processing fee		**3,216**	706
— Office rental		**964**	1,588
— Warehouse rental		**2,773**	1,641
— Lease of parcels of land located at Shangsheng Village	(a)	**819**	819
— Prepaid land lease payments to be amortised within one year (note 13)		**266**	266
— Purchase of materials and supplies		**341**	1,293
— Purchase of marble slabs	(b)	**4,097**	17,128
— Service fee		**812**	–
— Other		**257**	165
Deposits		**4,807**	3,724
Interest income receivables		**7,867**	10,743
Deductible input value-added tax		**404**	1,281
Other receivable arising from acquisition of a subsidiary (note 29)	(c)	**135,518**	–
Other receivables		**1,445**	1,385
		163,586	40,739
Non-current portion:			
Prepayments in respect of			
— Lease of parcels of land located at Shangsheng Village	(a)	**9,506**	10,325
— Cultivated land used tax	(d)	**5,690**	5,900
		15,196	16,225

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES — *continued*

Notes:

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

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

(c) The balance represents other receivable due from the pervious shareholders of Ji'an Mining. It has been fully collected in March 2016.

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

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

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

	2015	2014
	RMB'000	RMB'000
Cash on hand and cash at banks	**292,208**	145,703
Time deposits with original maturity of:		
— over three months	**599,602**	858,500
	891,810	1,004,203
Less:		
Restricted deposits for:		
Environmental rehabilitation deposits	**(1,702)**	(1,702)
Environmental rehabilitation deposits from acquisition of a subsidiary (note 29)	**(610)**	–
Pledged deposits for:		
Bills payable	**(28,174)**	(36,000)
	861,324	966,501

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

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

	2015 RMB'000	2014 RMB'000
RMB	891,738	1,003,906
HK$	64	113
US$	8	184
	891,810	1,004,203

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 to one year, and earn interest at the respective deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

20. TRADE AND BILLS PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	27,486	50,470
Bills payable	150,130	80,000
	177,616	130,470

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

	2015 RMB'000	2014 RMB'000
Within 1 month	7,990	2,601
1 to 2 months	74,643	506
2 to 3 months	4,734	123
Over 3 months	90,249	127,240
	177,616	130,470

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

20. TRADE AND BILLS PAYABLES — *continued*

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

As at 31 December 2015, the Group's bills payable of RMB100,229,000 were secured by pledged time deposits of RMB28,174,000 and guaranteed by Jueshi Mining, and bills payable of RMB49,901,000 were guaranteed by Jueshi Mining.

As at 31 December 2015, the Group's bills payable of RMB150,130,000 relate to bills issued by the Group's subsidiary .

21. OTHER PAYABLES AND ACCRUALS

	Notes	2015 RMB'000	2014 RMB'000
Current portion:			
Advances from customers		21,929	28,843
Payables relating to:			
Purchase of property, plant and equipment	(a)	10,850	–
Purchase of mining rights	(b)	9,300	9,300
Purchase of software		585	–
Payroll and welfare		12,907	10,639
Professional fees		6,279	3,864
Taxes other than income tax		5,745	432
Mineral resources compensation fees		4,234	3,136
Distributors' earnest money		1,925	1,145
Advertisement fees		383	382
Rental fees		356	–
Employee reimbursement		839	–
Interest payables relating to:			
Bank loans		187	305
Purchase of mining rights	(b)	3,193	3,084
Other payable		537	–
Due to a related party (note 33 (b))		71	71
Others		1,449	919
		80,769	62,120
Non-current portion:			
Payables relating to:			
Purchase of mining rights	(b)	9,300	18,600
		9,300	18,600
		90,069	80,720

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

21. OTHER PAYABLES AND ACCRUALS — *continued*

Notes:

(a) The balances represent payables in connection with the construction of a mining road and a processing plant located in Jiangxi.

(b) The balances represent payables in connection with the purchase of mining rights to the Yongfeng Mine. Pursuant to the purchase contract, the remaining principal amount of RMB18,600,000 will be settled by equal annual instalments within the next two years from 1 March 2016 to 1 March 2017. The payables are unsecured and bear interest at a rate with reference to the prevailing interest rate with the similar repayment term promulgated by the People's Bank of China, i.e., 4.75% per annum.

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

22. INTEREST-BEARING BANK LOANS

	Notes	**2015** **RMB'000**	2014 RMB'000
Repayable within one year:			
Secured bank loans by			
Prepaid land lease payments	(a)	**29,600**	–
Third party	(b)	**8,000**	–
Unsecured bank loans	(c)	**90,000**	125,900
		127,600	125,900
Effective interest rate per annum (%)		**5.66–6.53**	6.44–7.28

(a) As at 31 December 2015, the bank loan of RMB29,600,000 was secured by a land use right with a carrying amount of RMB12,768,000.

(b) As at 31 December 2015, a bank loan of RMB8,000,000 was guaranteed by Xiamen Siming Technique Financial Guarantee Limited, an independent third party with the charge of RMB80,000.

(c) As at 31 December 2015, bank loans of Huijin Stone of RMB90,000,000 (2014: RMB125,900,000) were guaranteed by Jueshi Mining.

NOTES TO THE FINANCIAL STATEMENTS

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23. DEFERRED INCOME

	RMB'000
Government grant	
At 1 January 2014	–
Government grant related to assets received during the year	6,005
Released to profit or loss (note 5)	(105)
At 31 December 2014 and 1 January 2015	5,900
Released to profit or loss (note 5)	(210)
At 31 December 2015	5,690

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.

24. PROVISION FOR REHABILITATION

	2015	2014
	RMB'000	RMB'000
At the beginning of year	**11,712**	9,906
Additions	**–**	1,135
Unwinding of a discount (note 6)	**781**	671
At the end of year	**12,493**	11,712

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

25. DEFERRED TAX

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

Deferred tax assets

	Provision for rehabilitation	Depreciation over book value of fixed assets	Accrued expenses	Unrealised profits from inter-company transactions	Impairment for trade receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014	312	61	4,630	798	–	5,801
Deferred tax assets charged to profit or loss during the year (note 9)	195	23	118	1,442	1,371	3,149
At 31 December 2015	507	84	4,748	2,240	1,371	8,950

Deferred tax liabilities

	Fair value adjustment arising from business combination	Excess book value of mining rights over tax amortisation	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2015	2,429	745	3,174
Deferred tax charged/(credited) to profit or loss during the year (note 9)	(107)	484	377
At 31 December 2015	2,322	1,229	3,551

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

25. DEFERRED TAX — *continued*

For presentation purpose, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for reporting purposes:

	2015 RMB'000	2014 RMB'000
Gross deferred tax assets	8,950	5,801
Gross deferred tax liabilities	(1,229)	–
Net deferred tax assets	7,721	5,801
Gross deferred tax assets	–	–
Gross deferred tax liabilities	2,322	3,174
Net deferred tax liabilities	2,322	3,174

Notes:

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

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

According to the articles of association of Huijin Stone and ArtGo Stone, the principal operating subsidiaries in Mainland China, the shareholder of Huijin Stone and ArtGo Stone have the ultimate power to decide Huijin Stone's and ArtGo Stone's dividend policy. Pursuant to the shareholder's resolutions issued on 20 February 2016, both the net profit of Huijin Stone and ArtGo Stone during the year, after appropriation to the statutory reserve fund, would be used for its business development and would not be distributed to its shareholder. As a result, no deferred tax liabilities relating to withholding tax on the distributable profits of Huijin Stone and ArtGo Stone for the year have been recorded.

The aggregate amount of unremitted earnings associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB175,865,000 (31 December 2014: RMB106,043,000).

NOTES TO THE FINANCIAL STATEMENTS

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26. SHARE CAPITAL

Shares

	2015 RMB'000	2014 RMB'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.01 each (2014: 3,000,000,000 ordinary shares of HK$0.01 each)	**23,651**	23,651
Issued and fully paid:		
1,333,334,000 ordinary shares of HK$0.01 each (2014: 1,333,334,000 ordinary shares of HK$0.01 each)	**10,492**	10,492

There was no change in the authorised and issued capital of the Company during the year.

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 will remain in force for 42 months from the date of listing unless otherwise cancelled or amended. Please refer to the 2013 annual report of the Company for details.

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

	Notes	Exercise price HK$ per share	Number of options
As at 1 January 2015	(a)	2.39	12,000,006
Expired during the year	(b)	*	(1,199,998)
As at 31 December 2015			10,800,008

Notes:

(a) The share options outstanding as at 1 January 2015 represented share options granted by the Company on 30 December 2013 at the exercise price of HK$2.39 per share.

(b) The first batch of the share options of 1,199,998 shares authorised expired without being exercised on 1 July 2015.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

27. SHARE OPTION SCHEMES — *continued*

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

2015:

Number of options	Exercise price HK$ per share	Exercise period
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
10,800,008		

2014:

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

The fair value of the share options granted during the Pre-IPO Share Option Scheme was HK$12,056,000 (equivalent to approximately RMB9,487,000) or approximately HK$1.00 each (equivalent to approximately RMB0.79 each), of which the Group recognised a share option expense of HK$3,802,000 (equivalent to approximately RMB2,992,000) during the year ended 31 December 2015 (2014: RMB3,833,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

27. SHARE OPTION SCHEMES — *continued*

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

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

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

At the end of the reporting period, the Company had 10,800,008 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 10,800,008 additional ordinary shares of the Company and additional share capital of HK$108,000 and share premium of HK$25,704,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 10,800,008 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.7% of the Company's shares in issue as at that date.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 63 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 their profit after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

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

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

28. RESERVES — *continued*

(c) Safety fund surplus reserve

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

(d) Contributed surplus

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

(e) Share option reserve

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

29. ACQUISITION

The Group entered into a share transfer agreement on 8 December 2015 with Mr. Yang Yueliang and Ms. Chen Feifei, the owners of Ji'an Mining and two independent third party individuals. Ji'an Mining owns two mining rights to Zhangxi Mine and Lingnan Mine valid until 23 July 2018. Pursuant to the share transfer agreement, the Group conditionally agreed to acquire the entire equity interests in Ji'an Mining at a total consideration of RMB250,000,000, which was fully paid on 28 December 2015. The acquisition of Ji'an Mining was completed on 31 December 2015 when the Group acquired control over Ji'an Mining upon all the precedent conditions stated in the aforesaid share transfer agreement being fulfilled.

Particulars of the acquisition of the entire equity interests in Ji'an Mining were set out in the Company's announcement dated 8 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

29. ACQUISITION — *continued*

The acquisition of Ji'an Mining has been accounted for as an asset acquisition, as the acquisition had no attribution of a business. The identified assets and liabilities as at the respective date of acquisition were as follows:

	RMB'000
Property, plant and equipment (note 12)	202
Mining rights (note 14)	114,202
Cash and bank balances	5
Restricted deposits (note 19)	610
Prepayments, deposits and other receivables (note 18)	135,518
Other payables and accruals	(537)
Total identifiable net assets at fair value	250,000

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

	RMB'000
Cash consideration	250,000
Cash and bank balances acquired	(5)
Net outflow of cash and cash equivalents during the year	249,995

30. CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

31. OPERATING LEASE ARRANGEMENTS — 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 2015 and 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**9,635**	6,929
In the second to fifth years, inclusive	**20,751**	12,301
Over five years	**–**	81
	30,386	19,311

NOTES TO THE FINANCIAL STATEMENTS

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32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
— Plant and equipment	**23,613**	10,308
— Intangible assets	**–**	60
	23,613	10,368

33. RELATED PARTY TRANSACTIONS

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

Name of related parties	Note	2015 RMB'000	2014 RMB'000
Office rental:			
Xiamen Zhonglianjian	(i)	**634**	542

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 thew tenancy agreement are based on market rates for similar premises in similar locations.

(b) Outstanding balances with a related party

The Group had an outstanding balance due to a related party, Mr. Liu of RMB71,000 (2014: RMB71,000) (note 21) as at the end of reporting period. These balances were non-trade, interest-free, unsecured and had no fixed terms of repayment.

(c) Compensation of key management personnel of the Group

	2015 RMB'000	2014 RMB'000
Basic salaries and other benefits	**6,783**	8,418
Equity-settled share option expense	**2,494**	3,194
Pension scheme contributions	**179**	150
Total compensation paid to key management personnel	**9,456**	11,762

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

At the end of 2015 and 2014, there were no financial assets and liabilities carried at fair value in the consolidated statements of financial position of the Group.

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

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, trade receivables, and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include trade and bills payables, other payables 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.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The Board regularly reviews these risks and they are summarised below:

NOTES TO THE FINANCIAL STATEMENTS

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

Credit risk

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. As the end of the reporting period, the Group had a concentration of credit risk as 46% (2014: 72%) of the Group's trade receivables of approximately RMB29,280,000 (2014: RMB44,452,000) were derived from five customers. Concentrations of credit risk are managed by customer and by geographical region, and all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the finance department and the sales department confirm the balance of trade receivables every month with customers. In respect of the credit quality of customers, the Group has adopted and will continue to implement a customer appraisal program to review its receivables, assess each customer's credibility and ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that credit risk is significantly reduced.

Foreign currency risk

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

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

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

	2015 **RMB'000**	2014 RMB'000
Increase/(decrease) in profit before tax:		
If RMB weakens against US$	**197**	242
If RMB strengthens against US$	**(197)**	(242)
If RMB weakens against HK$	**346**	11
If RMB strengthens against HK$	**(346)**	(11)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

Liquidity risk

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

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

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

	31 December 2015				
	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	–	11,907	120,007	–	131,914
Trade and bills payables	27,486	100,130	50,000	–	177,616
Other payables and accruals	48,396	–	9,410	9,852	67,658
	75,882	112,037	179,417	9,852	377,188

	31 December 2014				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 4 years RMB'000	Total RMB'000
Interest-bearing bank loans	–	63,130	66,710	–	129,840
Trade and bills payables	50,470	20,000	60,000	–	130,470
Other payables and accruals	35,248	–	12,838	20,274	68,360
	85,718	83,130	139,548	20,274	328,670

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 22.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	863,429	851,109
CURRENT ASSETS		
Prepayments, deposits and other receivables	166	156
Cash at banks	63	428
Total current assets	229	584
CURRENT LIABILITIES		
Other payables and accruals	5,200	1,592
Due to subsidiaries	18,827	18,409
Total current liabilities	24,027	20,001
NET CURRENT LIABILITIES	(23,798)	(19,417)
Net assets	839,631	831,692
EQUITY		
Issued capital	10,492	10,492
Reserves	829,139	821,200
Total equity	839,631	831,692

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY — *continued*

Note:

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

	Notes	Share premium account RMB'000	Capital contribution reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
1 January 2014		643,032	223,876	17	(37,597)	829,328
Equity-settled share-based payments:						
Share option expense	27	–	–	3,833	–	3,833
Total comprehensive loss for the year		–	–	–	(11,961)	(11,961)
At 31 December 2014 and 1 January 2015		**643,032**	**223,876**	**3,850**	**(49,558)**	**821,200**
Equity-settled share-based payments:						
Share option expense	27	**–**	**–**	**2,992**	**–**	**2,992**
Total comprehensive income for the year		**–**	**–**	**–**	**4,947**	**4,947**
Transfer of share option reserve upon the forfeiture or expiry of share option		**–**	**–**	**(584)**	**584**	**–**
At 31 December 2015		**643,032**	**223,876**	**6,258**	**(44,027)**	**829,139**

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

37. EVENTS AFTER THE REPORTING PERIOD

On 18 March 2016, the Group acquired 100% interests in Shanghai Yunyi, which is engaged in the management consultation and investment in properties. The Group has acquired Shanghai Yunyi to take advantage of the appreciation potential of the properties it owns in Shanghai, the financial and commercial centre of Mainland China. The purchase consideration of HK$294,000,000 (equivalent to approximately RMB245,000,000) for the acquisition was in the form of issuing new shares of 260,000,000 at the issue price of HK$1.13 per share.

Because the acquisition of Shanghai Yunyi was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2016.

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, 2013, 2014 and 2015, 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
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**332,217**	344,339	139,775	8,210	173
Cost of sales	**(154,448)**	(127,511)	(56,597)	(4,505)	(126)
Gross profit	**177,769**	216,828	83,178	3,705	47
Other income and gains	**23,632**	19,905	4,298	210	52
Selling and distribution expenses	**(34,861)**	(27,541)	(24,500)	(7,953)	(114)
Administrative expenses	**(42,715)**	(43,018)	(45,564)	(12,257)	(4,212)
Other expenses	**(6,586)**	(8,259)	(593)	(855)	(16)
Finance costs	**(16,606)**	(13,698)	(4,501)	(2,254)	(142)
PROFIT/(LOSS) BEFORE TAX	**100,633**	144,217	12,318	(19,404)	(4,385)
Income tax expense	**(25,226)**	(41,885)	(12,720)	(17)	–
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	**75,407**	102,332	(402)	(19,421)	(4,385)
ATTRIBUTABLE TO:					
Owners of the Company	**75,407**	102,332	(402)	(19,421)	(4,122)
Non-controlling interests	**–**	–	–	–	(263)
	75,407	102,332	(402)	(19,421)	(4,385)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:					
Basic and diluted (RMB cent per Share)	**6.00**	8.00	(0.04)	N/A	N/A

SUMMARY OF FINANCIAL INFORMATION

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**296,763**	164,640	142,271	42,109	26,216
Current assets	**1,189,027**	1,174,974	970,656	238,413	25,067
Non-current liabilities	**29,805**	39,386	41,002	4,158	2,968
Current liabilities	**410,361**	333,003	210,865	292,319	37,849
Total equity/(deficit)	**1,045,624**	967,225	861,060	(15,955)	10,466
Non-controlling interests	**–**	–	–	–	–
Equity/(deficit) attributable to owners of the Company	**1,045,624**	967,225	861,060	(15,955)	10,466

GLOSSARY

"ArtGo HK":	ArtGo (HK) Investment Group Limited (雅高(香港)投資集團有限公司), a company incorporated under the laws of Hong Kong with limited liability on October 3, 2011 and an indirect wholly owned subsidiary of the Company
"ArtGo Stone":	ArtGo Stone (Jiangxi) Co., Ltd. (雅高石材(江西)有限公司), a company incorporated under the laws of the PRC with limited liability on September 17, 2013 and a wholly owned subsidiary of ArtGo HK
"Audit Committee":	the audit committee of the Board
"BVI":	British Virgin Islands
"China" or "PRC":	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Companies Ordinance":	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Ernst & Young":	Ernst & Young, certified public accountants
"HK$":	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong":	the Hong Kong Special Administrative Region of the PRC
"Huijin Stone":	Huijin Stone (Xiamen) Co., Ltd. (匯金石(廈門)有限公司), a company incorporated under the laws of PRC with limited liability on October 19, 2011 and a wholly owned subsidiary of ArtGo HK
"IFRSs":	International Financial Reporting Standards, including International Accounting Standards and interpretations promulgated by the International Accounting Standard Board
"Jueshi Mining":	Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. (江西省珏石(永豐)礦業有限公司) a company incorporated under the laws of PRC with limited liability on December 28, 2009 and an indirect wholly owned subsidiary of the Company
"Lingnan Mine"	the marble mine situated in Lingnan Village, Tengtian Town, Yongfeng County, Ji'an City, Jiangxi Province (江西省吉安市永豐縣藤田鎮嶺南村)
"Liu's Group":	Liu Investment Development Holdings Group Limited, a company incorporated under the laws of BVI with limited liability on September 22, 2011
"RMB":	Renminbi, the lawful currency of the PRC
"US$":	United States dollars, the lawful currency of the United States
"Yongfeng Mine":	the marble mine situated in Yongfeng County, Jiangxi Province, wholly owned and operated by Jueshi Mining
"Zhangxi Mine"	the marble mine situated in Zhangxi Village, Shima Town, Yongfeng County, Ji'an City, Jiangxi Province (江西省吉安市永豐縣石馬鎮張溪村)