



®

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

2016
INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. WU Jing (*Chairman*)

Mr. GU Weiwen (*Chief Executive Officer*)

Mr. ZHANG Jian

Mr. LI Dingcheng

Dr. LEUNG Ka Kit

Non-executive Directors

Mr. GU Zengcai

Independent Non-executive Directors

Mr. LIU Jianhua

Mr. WANG Hengzhong

Mr. JIN Sheng

Mr. HUI Yat On

AUTHORISED REPRESENTATIVES

Ms. WU Jing

Mr. GU Weiwen

AUDIT COMMITTEE

Mr. WANG Hengzhong (*chairman*)

Mr. JIN Sheng

Mr. LIU Jianhua

REMUNERATION COMMITTEE

Mr. JIN Sheng (*chairman*)

Ms. WU Jing

Mr. WANG Hengzhong

NOMINATION COMMITTEE

Ms. WU Jing (*chairman*)

Mr. JIN Sheng

Mr. LIU Jianhua

COMPANY SECRETARY

Mr. ZHAO Zhipeng

REGISTERED OFFICE

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LEGAL ADVISORS AS TO HONG KONG LAWS

Patrick Mak & Tse

AUDITORS

Ernst & Young

CORPORATE INFORMATION

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STOCK CODE

3313

CHAIRMAN STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of ArtGo Holdings Limited ("ArtGo Holdings" or the "Company", together with its subsidiaries referred to as the "Group"), I am pleased to present the unaudited interim results of the Group for the six months ended 30 June 2016 (the "Review Period").

FINANCIAL RESULTS

As at 30 June 2016, the revenue of the Group was RMB131.5 million, representing a decrease of 12.4% as compared with RMB150.1 million for the corresponding period of the previous year. During the Review Period, gross profit decreased by RMB9.4 million to RMB74.2 million from RMB83.6 million for the corresponding period of the previous year. The decrease in revenue was mainly due to the decrease in revenue generated from marble slabs in the Review Period, and the decrease in gross profit was mainly due to the decrease in sales revenue, but the gross profit margin for sales slightly increased during the Review Period compared with the corresponding period of the previous year. During the Review Period, net profit was RMB32.6 million, representing a decrease of 18.7% compared with RMB40.1 million of the corresponding period of the previous year. The decrease in net profit was in line with the decrease in revenue.

BUSINESS REVIEW

The Group participated in the China Xiamen International Stone Fair hosted by Xiamen City, Fujian Province, China in March 2016. As the world's largest professional stone fair, it can help the Group to grasp the latest technology development and application of machinery in the areas of mining and processing, understand the circumstances about new mines, and recommend its quality stone products to global distributors.

As the construction of several major projects, such as Wanda Reign on the Bund in Shanghai, Wanda Reign Chengdu, Dalian Aonan's Mingxiu Mountain Villa and Shanghai Rui Hong Xin Cheng were completed in succession during the Review Period, Artgo Stone showcased to the public its exquisite, glossy and crystal clear marble products, which were extensively used in those projects.

During the Review Period, the Company continued to develop trade business to increase its business revenue.



CHAIRMAN STATEMENT

FUTURE PLAN

In future, the Group will develop its international business by enriching its range of export products on an ongoing basis to enhance its competitiveness in the international market. By generating more overseas sales revenue, the Group will grasp new opportunities presented during the process of going global. Domestically, the Group will acquire domestic mineral reserves of other colours and enrich the range of derivative products at opportune times to meet the different demands of users and create a premium lifestyle featuring good tastes for our clients. In addition, the Group plans to deploy its distributor network in key domestic cities extensively, continue its brand marketing, and launch distributor campaigns from time to time to boost sales volume and market share.



In addition, as mentioned in the announcement of the Company of 15 August 2016, the Group planned to develop potential new business including modern logistics and build logistics parks in Dongtai, Jiangsu (and other appropriate regions), which will be equipped with facilities including those for goods transportation, warehouses and marble processing plants, so as to meet the needs for marble storage and processing as well as to facilitate the sale of our products in the east China region and lower transportation costs.

The Group will also look for market opportunities to further develop marble-related business and other diversity projects to create value and generate investment returns for its shareholders. In future, as people increasingly advocate the simplistic and natural styles, the greyish white colours will become more popular at home and abroad. The Group will continue to strive to develop its businesses, and adhere to the core values of “respecting nature with reverence, contributing to society with gratefulness, working hard with modesty and seeking win-win cooperation with altruism” to generate more fruitful returns for its shareholders, take the lead in the development of the stone material industry, and bring fashionable and premium marble products to people’s everyday life.



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

By order of the Board of
ArtGo Holdings Limited

Wu Jing
Chairman

Hong Kong, 29 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

In February 2013, the Group launched large-scale commercial production at a marble mine in Yongfeng County in Jiangxi Province, China ("Yongfeng Mine"). The Group has developed two operating mining areas in Yongfeng Mine, namely North #1 and North #4 mining areas. There are eight benches in North #1 mining areas and six benches in North #4 mining areas. Benefiting from a favourable geographical environment, the ideal geological conditions of Yongfeng Mine and based on the good foundation laid on its mines, the Group is very confident in the mining of Yongfeng Mine in the future.

As at the date of this report, the Group has a network of 130 distributors, covering 95 cities across 29 provinces and autonomous regions in the PRC. In addition, the Group has further enhanced and expanded its direct sales channels. The Group hopes to provide customers with more comprehensive marble products, and is actively seeking marble resources that can bring synergies to the Group and provide a useful complement to existing products in terms of colours.

RESOURCES AND RESERVES

Yongfeng Mine

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 the Group to China's national transportation system. The table below is a summary of the key information related to the current mining permit for the Yongfeng Mine.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following table is a summary of the marble resources and reserves of the Yongfeng Mine, estimated as at 31 December 2015 under the Australasian Code for Reporting of 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 Group did not have further exploration activities during the Review Period (period ended 30 June 2015: NIL). In the Review Period, no capital expenditure was incurred by Yongfeng Mine (period ended 30 June 2015: NIL).

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

Zhangxi Mine

Zhangxi Mine is located in the Yongfeng County of Jiangxi Province, China, nearly 50 kilometers apart from a constructed expressway in Fuzhou from Yongfeng to Ji'an. The location of the Mine is connected by the Changning (Nanchang to Ningdu) Expressway which has already been constructed and commenced operation, connecting the Group to China's national transportation system. The table below is a summary of the 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	0.7314 square kilometers
Issuance date	23 July 2015
Expiration date	23 July 2018
Permitted production volume	20,000 cubic meters per annum

MANAGEMENT DISCUSSION AND ANALYSIS

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB1.615 million for a period of 3 years.

The following table is a summary of the marble resources of the Zhangxi Mine, estimated as at 31 December 2015 under the PRC Classification of Solid Mineral Resources and Reserves ("PRC Classification").

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

As of 30 June 2016, a capital expenditure of RMB1.615 million was incurred by the Group for Zhangxi Mine (30 June 2015: NIL).

Zhangxi Mine has advantageous 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 low operating cost and a high profit margin.

Lingnan Mine

Lingnan Mine is located in the Yongfeng County of Jiangxi Province, China, and is connected by an asphalt road to Yongfeng County, nearly 65 kilometers apart from 105 National Highway and Beijing-Kowloon Railway, connecting the Group to China's national transportation system. The table below is a summary of the key information related to the current mining permit for the Lingnan Mine.

Holder	Ji'an Mining
Nature of resource	marble
Covered area	0.2463 square kilometers
Issuance date	23 July 2015
Expiration date	23 July 2018
Permitted production volume	10,000 cubic meters per annum

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB0.81 million for a period of 3 years.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table is a summary of the marble resources of the Lingnan Mine, estimated as at 30 June 2016 under the PRC Classification.

Resources	Millions of cubic meters
Indicated	2.3
Inferred	1.2
Total	3.5

As of 30 June 2016, a capital expenditure of RMB0.81 million was incurred by the Group for Lingnan Mine (30 June 2015: NIL).

Lingnan Mine has advantageous topographical and geological conditions, which allow us 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 achieve a low operating cost and a high profit margin.

REVENUE

During the Review Period, the Group recorded an operating revenue of approximately RMB131.5 million, representing a decrease of approximately RMB18.6 million compared to the corresponding period of the previous year, mainly due to the decrease of the sales of cut-to-size slab from 156,960 square meters in the corresponding period of 2015 to 58,067 square meters in the Review Period.

(a) Sales by product categories

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

	For the six months ended 30 June					
	2016			2015		
	(Unaudited)			(Unaudited)		
	RMB'000	%	Gross profit margin (%)	RMB'000	%	Gross profit margin (%)
Marble blocks	79,788	60.7	80.1	56,995	38.0	79.0
One-side-polished slabs	16,315	12.4	43.0	47,279	31.5	49.5
Cut-to-size slabs	14,993	11.4	20.6	45,868	30.5	33.1
Trading	20,377	15.5	0.7	–	–	–
Total	131,473	100.0	56.4	150,142	100.0	55.7

MANAGEMENT DISCUSSION AND ANALYSIS

(b) Sales by Volume and Average Selling Price

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

	For the six months ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Sales volume		
Marble blocks (m ³)	18,995	10,708
One-side-polished slabs (m ²)	89,500	215,307
Cut-to-size slabs (m ²)	58,067	156,960
Trading	5,147	–
Average selling price		
Marble blocks (RMB/m ³)	4,201	5,323
One-side-polished slabs (RMB/m ²)	182	220
Cut-to-size slabs (RMB/m ²)	258	292
Trading (RMB/ton)	3,959	–

As of 30 June 2016, the unit selling price of marble blocks decreased by approximately 21.1% comparing to that of the corresponding period of 2015, which was mainly due to: (i) some discounts were provided for marble blocks, given changes of colour and texture due to natural causes; and (ii) some discounts were provided for marble blocks to clear old inventory.

As of 30 June 2016, the unit selling price of one-side-polished slabs decreased by approximately 17% comparing to that of the corresponding period of 2015, which was mainly due to promotion of certain products with a relatively long age to secure more market shares.

As of 30 June 2016, the unit selling price of cut-to-size slabs decreased by approximately 11.6% comparing to that of the corresponding period of 2015, which was mainly due to most of the corporate customers during the Review Period were engaged in renovation construction and had different grade requirements for our products from primary corporate customers engaged in real estate development in the corresponding period in 2015, leading to adjustments made to our product mix and relatively lower unit selling price.

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF SALES

The Group's cost of sales amounted to approximately RMB57.3 million, including the processing costs, which represented approximately 15.7% of the cost of sales; marble blocks mining costs, which represented approximately 28.6% of the cost of sales; and transportation costs, which represented approximately 2.1% of the cost of sales. During the Review Period, the decrease in cost of sales was in line with the decrease in sales and production volume.

Processing costs

The processing costs of the Group represented the processing fees paid to processors for processing marble blocks into one-side-polished slabs and one-side polished slabs into cut-to-size slabs.

The processing fees per unit of one-side-polished slabs in the Review Period were approximately RMB60.6, compared to the processing fees of approximately RMB61.3 in the corresponding period in 2014. The processing fees per unit of cut-to-size slabs were approximately RMB96.54 in the Review Period, compared to the processing fees of approximately RMB52.7 in the corresponding period in 2015. The increase in the processing fees per unit of cut-to-size slabs in the Review Period was mainly due to: (i) as the processing volume of cut-to-size slabs decreased from 56,708 square meters during the corresponding period in 2015 to 24,676 square meters during the Review Period, the bargaining power to processing supplier was declined, leading to increase in unit cost; and (ii) in order to satisfy market demand, the Group always commits to improve the grade and variety of cut-to-size slabs, and engaged a couple of new suppliers which are capable of higher processing technique during the Review Period, leading to higher unit cost.

Marble blocks mining costs

In the Review Period, marble blocks mining costs of the Group mainly included mining labour costs, materials consumption, fuel, electricity supply, depreciation of production equipment, and amortisation of mining rights. The marble blocks production costs per unit decreased by approximately 25% compared to the corresponding period in 2015 mainly due to the reduction in transportation fees and staff cost.

Transportation costs

Transportation costs included: (i) long-distance transportation fees for transporting marble blocks from the blocks yard of Yongfeng Mine to Shuitou, Fujian, the processing centre; and (ii) short-distance transportation fees for transporting marble blocks to the transit yard and transportation allocation between the warehouse in Shuitou and processors according to our production and processing plan. Transportation costs accounted for approximately 2.1% and 5.2% of the production costs for the Review Period and corresponding period in 2015, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group in the Review Period decreased by approximately RMB9.4 million as compared to that of corresponding period of 2015. The gross profit margin in the Review Period was approximately 56.4%, while the gross profit margin in corresponding period of 2015 was approximately 55.7%. The gross profit margin of the sales of the Group in the Review Period slightly increased as compared to that of 2015.

OTHER INCOME AND GAINS

Other income and gains mainly included interest income from bank deposits. Interest income amounted to RMB2.4 million and government grant amounted to RMB130,000 for the Review Period.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses, mainly comprised of salaries of the Group's sales and distribution staff, travelling expenses, entertainment allowance, advertising costs and office rents, were approximately RMB8.9 million, representing approximately 6.8% of the revenue in the Review Period, while the selling and distribution expenses of RMB14.8 million in the corresponding period in 2015 accounted for approximately 9.8% of the revenue in the corresponding period in 2015. The selling and distribution expenses in the Review Period were decreased by RMB5.9 million compared to that of the corresponding period, mainly due to the decrease in staff costs of RMB2.5 million as a result of staff number reduction and the decrease in travelling expenses, entertainment allowance, leasing charges, transportation fees and advertising and promotion costs of RMB2.8 million.

ADMINISTRATIVE EXPENSES

Administrative expenses, mainly comprised of salaries of administrative staff, amortisation of share options, consultancy fees and mineral resources compensation fee, were RMB14.1 million, accounting for approximately 10.7% of the revenue in the Review Period. The administrative expenses were RMB19.9 million in the corresponding period in 2015, accounting for approximately 13.3% of the revenue for the corresponding period in 2015. The administrative expenses in the Review Period was decreased by RMB5.8 million compared to that of the corresponding period, mainly due to the decrease in staff costs of RMB2.2 million as a result of staff number reduction and the decrease in travelling expenses, entertainment allowance, consultancy fees and service fees of RMB2.1 million.

FINANCE COSTS

Finance costs mainly included interests on bank loans, interests on discounted bills, interest expenses on instalment payment from the acquisition of mining rights and related interests of rehabilitation. The finance costs decreased from RMB8.0 million in the corresponding period in 2015 to RMB7.8 million in the Review Period.

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 30 June 2016, the total number of full-time employees of the Group was 281 (as at 30 June 2015: 413). Total employee costs amounted to approximately RMB11.1 million for the Review Period (for the six months ended 30 June 2015: approximately RMB23.2 million). Taking into account of the strategic goal of the Group, operating results, efforts and contributions made by each of executive directors, senior management and employees, and for the purposes of appreciating their value, motivating for better performance and skills, maintaining the Company's fast-growing development and achieving its long and short-term goals, the remuneration standards are in line with the market performance and the corresponding qualifications and abilities, and adjustments are made according to varied percentage, and the staff costs had a slightly decrease in the Review Period. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale.

On 9 December 2013, the Company adopted a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") (collectively, the "Share Option Schemes"). As at 30 June 2016, 2,400,000 share options had been granted and remained outstanding under the Pre-IPO Share Option Scheme and no share option had been granted under the Share Option Scheme.

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

INCOME TAX EXPENSE

Income tax expense increased from approximately RMB11.5 million for the six months ended 30 June 2015 to approximately RMB12.1 million for the Review Period.

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

The net profits attributable to owners of the Company during the Review Period amounted to approximately RMB32.6 million, compared to RMB40.1 million for the corresponding period in 2015. The decreased net profits were in line with the decrease of revenue during the Review Period.

MANAGEMENT DISCUSSION AND ANALYSIS

NET CASH FLOWS FROM OPERATING ACTIVITIES

Net cash outflows from operating activities for the Review Period were approximately RMB9.7 million (for the six months ended 30 June 2015: net cash inflows of approximately RMB109.9 million), primarily due to: (i) a profit before tax of approximately RMB44.7 million; (ii) decrease in trade and bills payables of RMB22.4 million, increase in other payables and accruals of RMB41.8 million and increase in amounts due to a related party of RMB25.6 million; and (iii) increase in trade and bills receivables of RMB58.6 million. The operating cash inflows was partially offset by the payment of income tax and interest expenses aggregated to RMB19.9 million.

NET CASH FLOWS USED IN INVESTING ACTIVITIES

Net cash inflows from investing activities for the Review Period were approximately RMB436.1 million (for the six months ended 30 June 2015: net cash outflows of approximately RMB36 million), which primarily included: (i) decrease in time deposits with a term over three months of approximately RMB453.2 million; (ii) increase in pledged time deposits of approximately RMB14.6 million; and (iii) the total payment for purchase of property, plant and equipment and mining rights of RMB2.5 million.

NET CASH FLOWS USED IN FINANCING ACTIVITIES

Net cash outflows used in financing activities for the Review Period were approximately RMB6.3 million (for the six months ended 30 June 2015: net cash outflows of approximately RMB25.9 million), which was primarily used for repayment of bank loans.

INVENTORIES AND TURNOVER DAYS

The Group's inventories decreased by approximately 12%, from approximately RMB72.6 million as at 31 December 2015 to approximately RMB63.6 million as at 30 June 2016. The number of inventory turnover days of the Group remained stable and decreased from 188 in 2015 to 174 in the Review Period.

TRADE AND BILLS RECEIVABLES AND TURNOVER DAYS

The Group's trade and bills receivables increased from approximately RMB63.3 million as at 31 December 2015 to approximately RMB122 million as at 30 June 2016. The increase was primarily due to the extension of the account period. Compared to 66 days in 2015, the trade receivables turnover days for the Review Period were 165 days. The increase in trade receivables turnover days was primarily due to the new sales channels secured by shareholders of the Company and the Company offered those customers with different credit periods as support, resulting in an increase in the balance of receivables at 30 June 2016.

TRADE AND BILLS PAYABLES

The Group's trade and bills payables decreased by approximately RMB22.4 million from approximately RMB177.6 million as at 31 December 2015 to approximately RMB155.2 million as at 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

NET CURRENT ASSETS

Net current assets of the Group increased by 3% from approximately RMB778.7 million as at 31 December 2015 to approximately RMB801.7 million as at 30 June 2016.

CURRENT RATIO

The current ratio, being current assets over current liabilities, was 2.8 as at 30 June 2016 (30 June 2015: 2.9). The current ratio decreased primarily due to the increase in trade bills payables outstanding during the Review Period.

BORROWINGS

The Group generally finances its operations with internally generated cash flows and banking credit facilities. As at 30 June 2016, the Group had total bank loans of RMB120.9 million (31 December 2015: RMB127.6 million).

GEARING RATIO

The Group's gearing ratio equals to its net debt (total debts net of cash and bank balances) divided by total equity. Total debt is defined as interest-bearing bank and other loans and it excludes liabilities incurred for working capital purposes. As at 30 June 2016 and 31 December 2015, the Group's cash and bank balances exceeded the interest-bearing bank loans, respectively. As such, no gearing ratios as at 30 June 2016 and 31 December 2015 are presented.

CAPITAL EXPENDITURE

The Group's ability to maintain and increase its sales and profits depends upon continued capital spending. Capital expenditures are used to purchase mining rights, land, equity interest, property, plant and equipment. For the Review Period, the Group's expenditure included (i) purchase of equity private placement of RMB245 million; and (ii) purchase of property, plant and equipment and expenses on mining right of RMB2.5 million in total.

FOREIGN EXCHANGE EXPOSURE

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

PLEDGE OF ASSETS

The Group had bank deposits of approximately RMB42.8 million (31 December 2015: RMB28.2 million) used as guarantees for issuing banker's acceptance bills and letter of credit of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The net proceeds from the Company's listing and issue of new shares of the Company (the "Shares") amounted to approximately HK\$833.0 million (equivalent to approximately RMB655.5 million). The net proceeds will be applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the prospectus of the Company dated 16 December 2013 (the "Prospectus"). The remaining proceeds were deposited with licensed banks as short-term deposits or time deposits in the PRC and Hong Kong, respectively.

	Balance as at 30 June 2016 RMB million	Used during the Review Period RMB million
Working capital and other general corporate purposes	42.6	4.5
Expansion of sales channels	44.0	2.0
Capital expenditure of Yongfeng Mine	253.0	–
Construction of slab processing facilities	178.2	–
Total	517.8	6.5

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no significant contingent liabilities.

For details of capital commitments, please refer to note 18 to the financial statements.

MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER ISSUES

On 21 March 2016, the Group completed the acquisition of the entire interests in Shanghai Yunyi Enterprise Management Company Limited* (上海韻義企業管理有限公司) ("Shanghai Yunyi") pursuant to the equity transfer agreement entered into by the Group and Mr. Wang Jiangze on 3 February 2016. 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. The purchase 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. For details of the acquisition, please refer to the Company's announcements dated 3 February and 21 March 2016.

OTHER INFORMATION

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

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

Category/name of participants	Number of share options					Exercise price (HK\$)	Date of grant
	Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Lapsed/ forfeited during the period	Outstanding as at 30 June 2016		
	Other employees in aggregate	10,800,008	-	-	8,400,008 (Note 2)		
Total	10,800,008	-	-	8,400,008	2,400,000		

Note:

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

Exercise period	Exercise price per Share (HK\$)	Number of Options
From 30 June 2015 to 30 June 2016	2.39	266,666
From 30 June 2016 to 30 June 2017	2.39	1,066,667
From 30 June 2017 to 30 June 2018	2.39	1,066,667
Total		2,400,000

- (2) The 8,400,008 Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme were forfeited following the resignation of some senior management members from their relevant positions in the Group.

Share Option Scheme

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

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which had to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Long positions in the Shares

Name of Director	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the issued share capital of the Company
Ms. Wu Jing (Note 2)	Beneficial Owner	476,332,840(L)	29.89(L)
Dr. Leung Ka Kit (Note 2)	Beneficial Owner	476,332,840(L)	29.89(L)
Mr. JIN Sheng	Beneficial Owner	110,000(L)	0.01%

Notes:

1. The letter "L" denotes the person's long position in the shares.
2. As at 30 June 2016, Dr. Leung Ka Kit is interested in the entire issued share capital of Maswin International (Hong Kong) Co. Ltd., our substantial Shareholder and Ms. WU Jing is the spouse of Dr. Leung Ka Kit. Dr. Leung Ka Kit and Ms. WU Jing are therefore deemed to be interested in the Shares held by Maswin International (Hong Kong) Co. Ltd. for the purpose of Part XV of the SFO.

Save as disclosed above, as at 30 June 2016, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO); or to be recorded in the register required to be kept under section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Appendix 10 of the Listing Rules of the Main Board.

OTHER INFORMATION

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

As at 30 June 2016, the interests or short positions of the substantial Shareholders (other than the interests disclosed above in respect of certain Directors who are also substantial Shareholders) in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register of substantial Shareholders as required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the issued share capital of the Company
Wu Jing	Beneficial Owner	476,332,840(L) (Note 2)	29.89(L)
Leung Ka Kit	Beneficial Owner	476,332,840(L) (Note 2)	29.89(L)
Maswin International (Hong Kong) Co. Limited	Interest in controlled corporation	476,235,840(L) (Note 2)	29.89(L)
Ample Cheer Limited	Interest in controlled corporation	388,905,920(L) (Notes 3, 4)	24.40(L)
Best Forth Limited	Interest in controlled corporation	388,905,920(L) (Notes 3, 4)	24.40(L)
Kingston Finance Limited	Interest in controlled corporation	388,905,920(L) (Notes 3, 4)	24.40(L)
Chu Yuet Wah	Beneficial Owner	388,905,920(L) (Notes 3, 4)	24.40(L)
China Marble Investment Holdings Limited	Beneficial owner	321,872,452 (L) (Note 5)	20.20%
Carlyle Asia Growth Partners IV, L.P.	Interest in controlled corporation	321,872,452 (L) (Note 5)	20.20%
CAGP IV General Partner L.P.	Interest in controlled corporation	321,872,452 (L) (Note 5)	20.20%
CAGP IV, Ltd.	Interest in controlled corporation	321,872,452(L) (Note 5)	20.20%

OTHER INFORMATION

Name	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the issued share capital of the Company
TC Group Cayman Investment Holdings Sub, L.P.	Interest in controlled corporation	321,872,452 (L) (Note 5)	20.20%
TC Group Cayman Investment Holdings, L.P.	Interest in controlled corporation	321,872,452 (L) (Note 5)	20.20%
Carlyle Holdings II L.P.	Interest in controlled corporation	321,872,452 (L) (Note 5)	20.20%
Carlyle Holdings II GP L.L.C.	Interest in controlled corporation	321,872,452 (L) (Note 2)	20.20%
The Carlyle Group L.P.	Interest in controlled corporation	321,872,452 (L) (Note 2)	20.20%
Wang Jiangze	Beneficial Owner	260,000,000(L) (Note 2)	16.32(L)
Xu Kefu	Beneficial Owner	189,764,160(L)	11.91(L)
Sun Haocheng	Beneficial Owner	140,678,000(L)	8.83(L)
China First Capital Group Limited	Interest in controlled corporation	126,096,000(L)	7.91(L)

Notes:

- The letter "(L)" denotes long position in the Shares.
- Dr. Leung Ka Kit is interested in the entire issued shares of Maswin International (Hong Kong) Co. Limited ("Maswin International"), and Ms. Wu Jing is the spouse of Dr. Leung Ka Kit. Pursuant to Part XV of the SFO, Dr. Leung Ka Kit and Ms. Wu Jing are taken to be interested in the 476,235,840 Shares of the Company held by Maswin International (Hong Kong) Co. Limited.

In addition, Maswin International holds 476,235,840 Shares of the Company, of which 260,000,000 Shares are held upon trust by Maswin International on behalf of Mr. Wang Jiangze. Accordingly, Mr. Wang Jiangze is the beneficial owner of such 260,000,000 Shares.

- Liu Investment Development Holdings Group Limited ("Liu Investment"), a former Shareholder of the Company, has secured a total of 526,000,000 Shares of the Company to Kingston Financial Group Limited (the "Secured Shares") on 29 January 2015. As of 30 June 2016, the 388,905,920 Shares of the Company are remaining secured shares. Accordingly, Kingston Financial Group Limited is taken to have security interest in such 388,905,920 Shares.

OTHER INFORMATION

4. To the Directors' knowledge, having made all reasonable enquiries, Kingston Finance Limited is owned as to 100% by Ample Cheer Limited, Ample Cheer Limited is owned as to 80% by Best Forth Limited, Best Forth Limited is owned as to 100% by Ms. Chu Yuet Wah. Pursuant to Part XV of the SFO, Ample Cheer Limited, Best Forth Limited and Ms. Chu Yuet Wah are taken to be interested in the 388,905,920 Shares of the Company in which Kingston Finance Limited has security interest.
5. As known to the Directors after making reasonable enquiry, as at 30 June 2016, 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards of dealings as set out in the Model Code throughout the six months ended 30 June 2016.

The Company has also established the written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company throughout the six months ended 30 June 2016.

AUDIT COMMITTEE

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

The Audit Committee has in conjunction with the management of the Company reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the 2016 interim results announcement and this report of the Company as well as the interim condensed financial information of the Group for the six months ended 30 June 2016.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	3	131,473	150,142
Cost of sales		(57,291)	(66,566)
Gross profit		74,182	83,576
Other income and gains	4	3,302	13,156
Selling and distribution expenses		(8,924)	(14,751)
Administrative expenses		(14,068)	(19,936)
Other expenses		(1,985)	(2,478)
Finance costs	5	(7,846)	(8,041)
PROFIT BEFORE TAX	6	44,661	51,526
Income tax expense	7	(12,081)	(11,469)
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE OWNERS OF THE COMPANY FOR THE PERIOD		32,580	40,057
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic and diluted	8	RMB0.02	RMB0.03

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	308,981	65,346
Intangible assets	9	191,539	191,740
Prepaid land lease payments	9	12,369	12,502
Prepayments, deposits and other receivables	10	15,683	15,196
Payments in advance	10	2,066	1,946
Restricted deposits		2,475	2,312
Deferred tax assets		9,222	7,721
Total non-current assets		542,335	296,763
CURRENT ASSETS			
Inventories		63,591	72,622
Trade and bills receivables	11	121,960	63,321
Prepayments, deposits and other receivables	10	249,576	163,586
Pledged deposits		42,804	28,174
Cash and bank balances		783,054	861,324
Total current assets		1,260,985	1,189,027
CURRENT LIABILITIES			
Trade and bills payables	12	155,206	177,616
Other payables and accruals		122,596	80,769
Tax payables		34,912	24,376
Interest-bearing bank loans	13	120,973	127,600
Amounts due to related parties	14	25,640	–
Total current liabilities		459,327	410,361
NET CURRENT ASSETS		801,658	778,666
TOTAL ASSETS LESS CURRENT LIABILITIES		1,343,993	1,075,429

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2016

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,321	2,322
Other payable		–	9,300
Deferred income	15	5,585	5,690
Provision for rehabilitation		12,883	12,493
Total non-current liabilities		20,789	29,805
Net assets		1,323,204	1,045,624
EQUITY			
Equity attributable to owners of the Company			
Issued capital		12,676	10,492
Reserves		1,310,528	1,035,132
Total equity		1,323,204	1,045,624

Wu Jing
Director

Gu Weiwen
Director

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

STATEMENT OF CHANGES IN EQUITY OF SHAREHOLDERS

	Issued capital	Share premium account	Statutory surplus reserve	Safety fund surplus reserve	Share option reserve (Note 16)	Difference arising from acquisition of non-controlling interests	Contributed surplus	Retained earnings/ (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	10,492	866,908	12,685	760	3,850	(19,048)	26,636	64,942	967,225
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	40,057	40,057
Transfer from/(to) reserves	-	-	4,932	-	-	-	-	(4,932)	-
Establishment of safety fund surplus reserve	-	-	-	125	-	-	-	(125)	-
Utilisation of safety fund surplus reserve	-	-	-	(177)	-	-	-	177	-
Equity-settled share option arrangement (note 16)	-	-	-	-	1,615	-	-	-	1,615
At 30 June 2015 (unaudited)	10,492	866,908	17,617	708	5,465	(19,048)	26,636	100,119	1,008,897
As at 1 January 2016	10,492	866,908	21,160	707	6,258	(19,048)	26,636	132,511	1,045,624
Profit and total comprehensive income for the year	-	-	-	-	-	-	-	32,580	32,580
Transfer from reserves	-	-	3,258	-	-	-	-	(3,258)	-
Establishment of safety fund surplus reserve	-	-	-	150	-	-	-	(150)	-
Utilisation of safety fund surplus reserve	-	-	-	-	-	-	-	-	-
Equity-settled share option arrangement	-	-	-	-	-	-	-	-	-
Transfer to share option reserve upon the forfeiture or expiry of share option	-	-	-	-	-	-	-	-	-
Share issue	2,184	242,816	-	-	-	-	-	-	245,000
As at 30 June 2016	12,676	1,109,724	24,418	857	6,258	(19,048)	26,636	161,683	1,323,204

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		44,661	51,526
Adjustments for:			
Depreciation of items of property, plant and equipment	9	2,820	3,106
Amortisation of intangible assets	9	201	284
Amortisation of prepaid land lease payments	9	133	133
Amortisation of deferred income	15	(105)	(105)
Impairment of trade receivables	11	6,047	1,278
Equity-settled share option expense	16	–	1,615
Finance costs	5	7,846	8,041
Unrealised foreign exchange gains		(129)	(2)
Bank interest income	4	(2,366)	(11,343)
		59,108	54,533
Decrease/(increase) in trade and bills receivables		(58,639)	11,195
Decrease/(increase) in inventories		9,031	521
Decrease/(increase) in prepayments, deposits and other receivables		(46,655)	8,795
Increase/(decrease) in trade and bills payables		(22,410)	44,366
Increase in amounts due to related parties		25,640	–
Increase/(decrease) in other payables and accruals		41,827	1,141
Cash generated from operations		7,902	120,551
Income tax paid		(12,081)	(13,277)
Interest paid		(7,846)	(8,179)
Interest received		2,366	10,796
Net cash flows generated from operating activities		(9,659)	109,891
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(79)	(3,101)
Payment of mining right payable		(2,425)	(9,300)
Purchase of other intangible assets		–	(138)
Decrease (increase) in time deposits with maturity of over three months		453,192	(15,804)
Decrease (increase) in pledged deposits		(14,630)	(7,695)
Net cash flows used in investing activities		436,058	(36,038)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		23,700	50,000
Repayment of bank loans		(30,027)	(75,900)
Net cash flows used in financing activities		(6,327)	(25,900)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		289,896	108,001
Effect of foreign exchange rate changes, net		129	2
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		710,097	155,956
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand and cash at banks		710,097	135,764
Non-pledged time deposits		118,236	894,496
Cash and bank balances		828,333	1,030,260
Time deposits with original maturity of over three months		(118,236)	(874,304)
Cash and cash equivalents		710,097	155,956

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

ArtGo Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is 16/F., Nan Fung Tower, 173 Des Voeux Road Central, Hong Kong.

During the Review Period, the Group was principally engaged in the business of mining, processing, trading and sale of marble stones. Trading products were introduced to the Group's principal activities during the Review Period.

2.1 BASIS OF PREPARATION

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

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

3. REVENUE AND OPERATING SEGMENT INFORMATION

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

3. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

Entity-wide disclosures

Information about products

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

	For the six months ended 30 June			
	2016		2015	
	(Unaudited)		(Unaudited)	
	RMB'000	%	RMB'000	%
Marble blocks	79,788	60.7	56,995	38.0
One-side-polished slabs	16,315	12.4	47,279	31.5
Cut-to-size slabs	14,993	11.4	45,868	30.5
Trading	20,377	15.5	–	–
Total	131,473	100.0	150,142	100.0

Geographical information

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

	For the six months ended 30 June	
	2016	2015
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Domestic*:		
Mainland China	123,708	143,395
Overseas	7,765	6,747
Total	131,473	150,142

* Place of domicile of the Group's principal subsidiaries, Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. ("Jueshi Mining"), Huijin Stone (Xiamen) Co., Ltd. ("Xiamen Huijin Stone"), and ArtGo Stone (Jiangxi) Co., Ltd. and ArtGo (Jiangsu) Technology Industrial Ltd.# (雅高(江蘇)科技實業有限公司).

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

For identification purposes only

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

3. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

Entity-wide disclosures (Continued)

Information about major customers

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

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Customer A	34,262	*
Customer B	23,850	*
Customer C	22,721	*
Customer D	21,428	*

* Less than 10% of the total revenue

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Bank interest income	2,366	11,343
Governmental subsidy	132	1,509
Foreign exchange gains, net	129	124
Miscellaneous	675	180
Total other income and gains	3,302	13,156

5. FINANCE COSTS

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest on bank loans	4,013	3,656
Interest on instalments	825	703
Unwinding of discount on rehabilitation	391	374
Interest on bills receivable discounted (note 11)	2,617	3,308
Total	7,846	8,041

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cost of inventories sold	57,291	66,566
Employee benefit expense (including remuneration of Directors and chief executives)	11,083	23,197
Depreciation and amortisation (note 9)	3,021	3,523
Minimum lease payments under operating leases:		
— Office	375	2,758
— Warehouses	4,010	3,005
— Parcels of land located at Shangsheng Village (note 10(a))	520	409
Impairment of trade receivables (note 11)	565	1,278
Auditors' remuneration (a)	—	1,115
Foreign exchange losses/(gains), net	(129)	(124)
Bank interest income (note 4)	(2,366)	(11,343)

Note: The Company wishes to clarify that the disclosure of auditors' remuneration on page 8 of the Company's interim results announcement for the six months ended 30 June 2016 contains an error, with other expenses of RMB1,150,000 mistakenly classified as auditors' remuneration, which should be RMB0 during the Review Period.

7. INCOME TAX

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current — Mainland China charged for the period	13,583	13,299
Deferred	(1,502)	(1,830)
Total income tax for the Period	12,081	11,469

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

7. INCOME TAX (CONTINUED)

Notes:

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

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

The calculation of earnings per share is based on the profit attributable to owners of the Company for the Review Period of RMB32,579,000.00 (six months ended 30 June 2015: RMB40,057,000.00), and the weighted average number of ordinary shares of 1,593,334,000 (six months ended 30 June 2015: 1,333,334,000) in issue during the Review Period.

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

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

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

	Property, plant and equipment RMB'000 (Unaudited)	Intangible assets RMB'000 (Unaudited)	Prepaid land lease payments RMB'000 (Unaudited)
Carrying amount as at 1 January 2016	65,346	191,740	12,502
Additions	246,455	–	–
Depreciation/amortisation charged for the Review Period (note 6)	(2,820)	(201)	(133)
Carrying amount as at 30 June 2016	308,981	191,539	12,369

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
Current portion:		
Prepayments in respect of:		
— Processing fee	—	3,216
— Office rental	412	964
— Warehouse rental	—	2,773
— Lease of parcels of land located at Shangsheng Village	520	819
— Prepaid land lease payments to be amortised within one year	133	266
— Purchase of materials and supplies	61,595	341
— Purchase of marble slabs	1,577	4,097
— Others	1,586	1,069
Deposits	—	4,807
Interest income receivables	456	7,867
Deductible input value-added tax	—	404
Other receivables	183,297	136,963
Total	249,576	163,586
Non-current portion:		
Prepayments in respect of:		
— Lease of parcels of land located at Shangsheng Village (a)	10,098	9,506
— Tax for use of cultivated land (b)	5,585	5,690
	15,683	15,196

Notes:

- (a) The balances represent prepayments made to the villagers for the use of parcels of land in Shangsheng Village for mining activities at the Yongfeng Mine. Based on the agreements entered into among Jueshi Mining, the Shangsheng Village Committee and the villagers, Jueshi Mining prepaid RMB12,280,000 in aggregate, for rights to use the said parcels of land for a period of 15 years since the dates of the respective lease agreements.
- (b) The balance represents prepayment made to the local taxation authorities for the occupation of farmland at the Yongfeng Mine. The prepayment will be charged to profit or loss on straight-line method over the terms of the mining right.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

11. TRADE AND BILLS RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
Trade receivables	127,765	68,803
Bills receivable	242	0
Impairment	(6,047)	(5,482)
Total	121,960	63,321

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 settlement 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. And the trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at 30 June 2016 and 31 December 2015, based on the delivery date and net of provision, is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
1 to 3 months	73,535	33,706
3 to 6 months	42,197	26,928
6 to 12 months	5,831	1,854
Over 1 year	397	833
Total	121,960	63,321

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
	6,047	5,482

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivable of RMB6,047,000 (31 December 2015: RMB5,482,000).

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

During the Review Period, the Group has confirmed the interest expenses on discounted bills issued for the Group's internal transactions is RMB2,617,000 (six months ended 30 June 2015: RMB3,308,000).

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

12. TRADE AND BILLS PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
Trade payables	12,526	27,486
Bills payable	142,680	150,130
Total	155,206	177,616

An aged analysis of the trade and bills payables as at 30 June 2016 and 31 December 2015, based on the invoice date or issue date, where appropriate, is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
Within 1 month	9,406	7,990
1 to 2 months	8,404	74,643
2 to 3 months	59,637	4,734
Over 3 months	77,759	90,249
Total	155,206	177,616

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

As at 30 June 2016, the Group's bills payable were secured by pledged time deposits of RMB42,804,000.

As at 30 June 2016, the Group's bills payable of RMB142,680,000 related to bills issued by one of the Group's subsidiaries and were held by banks.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

13. INTEREST-BEARING BANK LOANS

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
<i>Repayable within one year</i>			
Secured bank loans:			
Prepaid land lease payments, properties	(a)	39,973	29,600
Third party	(b)	8,000	8,000
Unsecured bank loans	(c)	73,000	90,000
		120,973	127,600
Effective interest rate per annum (%)		5.66–6.53	5.66–6.53

Notes:

- (a) As at 30 June 2016, the bank loan of Xiamen Huijin Stone of RMB39,973,000 (31 December 2015: RMB29,600,000) was secured by the land use rights of Yongguoyong (2014) No. 0237 held by Jiangxi ArtGo, properties with title certificates of Xia Guotu Fangzheng No. 00841811 and Xia Guotu Fangzheng No. 00849642 held by Xiamen Zhonglianjian Decoration Engineering Co., Ltd., and property with title certificate of Xia Guotu Fangzheng No. 01171972 held by Liu Songchun.
- (b) As at 30 June 2016, bank loan of Xiamen Huijin Stone of RMB8,000,000 (31 December 2015: RMB8,000,000) was guaranteed by Xiamen Siming Technique Financial Guarantee Limited as an independent third party providing a charge of RMB80,000.
- (c) As at 30 June 2016, bank loan of Xiamen Huijin Stone of RMB73,000,000 (31 December 2015: RMB90,000,000) was guaranteed by Jueshi Mining.

14. BALANCE WITH A RELATED PARTY

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
<i>Due to a related party:</i>			
Non-trade in nature:			
— Dr. Leung Ka Kit ("Dr. Leung")	(a)	25,640	—

Note:

- (a) Dr. Leung was appointed as an executive Director on 8 June 2016, the amount was provided in June 2016. As at 30 June 2016, amounts due to Dr. Leung were denominated in RMB. These balances with Dr. Leung were non-trade, interest-free, unsecured and had no fixed terms of repayment.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

15. DEFERRED INCOME

	RMB'000
<i>Government grant</i>	
As at 1 January 2016	5,690
Released to profit or loss	(105)
As at 30 June 2016	5,585

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

16. SHARE OPTION SCHEMES

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

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

Number of options	Exercise price per share (HK\$)	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
<u>10,800,008</u>		

The fair value of the share options granted under the Pre-IPO Share Option Scheme was HK\$12,056,000 (equivalent to approximately RMB9,487,000) or approximately HK\$1.00 each (equivalent to approximately RMB0.79 each), of which the Group did not confirm a share option expense during the Review Period (six months ended 30 June 2015: RMB1,615,000).

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

16. SHARE OPTION SCHEMES (CONTINUED)

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

As at 30 June 2016, the Company had 2,400,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,400,000 additional ordinary shares of the Company and additional share capital of HK\$24,000 and share premium of HK\$5,712,000 (before issue expenses).

Subsequent to the end of the Review Period, on 1 July 2016, a total of 266,666 shares were expired without being exercised by any Grantees.

At the date of approval of this interim condensed financial information, the Company had 2,133,334 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.13% of the Company's shares in issue as at that date.

17. DIVIDENDS

At the meeting of the board of directors held on 29 August 2016, the directors resolved not to pay any interim dividend to shareholders (six months ended 30 June 2015: Nil).

18. COMMITMENTS

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
Contracted, but not provided for:		
— Plant and equipment	23,363	23,613
Total	23,363	23,613

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

19. RELATED PARTY TRANSACTIONS

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

Name of related parties	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Office rental:			
Xiamen Zhonglianjian	(i)	313	271
Payable amounts:			
Non-trade in nature Dr. Leung	(ii)	25,640	–

Notes:

- (i) Xiamen Zhonglianjian is a company controlled by Mr. Liu. The directors consider that the office rental expenses paid by the Group to Xiamen Zhonglianjian as determined under the tenancy agreement are based on market rates for similar premises in similar locations.
- (ii) The non-trade amount provided by Dr. Leung in June 2016 was interest free, unsecured and no fixed terms of repayment.

(b) Outstanding balances with related party

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

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Basic salaries and other benefits	2,091	3,685
Equity-settled share option expense	–	1,346
Pension scheme contributions	30	36
	2,121	5,067

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

20. EVENTS AFTER THE REPORTING PERIOD

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

21. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the board of directors on 29 August 2016.