ARTGO HOLDINGS LIMITED
雅高控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3313)

Results Announcement for the Year ended 31 December 2015

RESULTS HIGHLIGHTS

For the year ended 31 December 2015:

- The revenue of the Group amounted to approximately RMB332.2 million (2014: approximately RMB344.3 million), representing a decrease of approximately RMB12.1 million.
- The profit before tax of the Group amounted to approximately RMB100.6 million (2014: approximately RMB144.2 million), representing a decrease of approximately RMB43.6 million.
- The Group's net profit amounted to approximately RMB75.4 million (2014: approximately RMB102.3 million).
- The basic and diluted earnings per share attributable to ordinary equity holders of the Company amounted to RMB6 cent (2014: basic and diluted earnings per share of approximately RMB8 cent).

The board (the "Board") of directors (the "Directors") of ArtGo Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015. The Company's annual results for 2015 have been reviewed by the audit committee of the Company (the "Audit Committee") and have been approved by the Board on 31 March 2016.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	3	**332,217**	344,339
Cost of sales		**(154,448)**	(127,511)
Gross profit		**177,769**	216,828
Other income and gains	4	**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	5	**(16,606)**	(13,698)
PROFIT BEFORE TAX	6	**100,633**	144,217
Income tax expense	7	**(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	9	**RMB0.06**	RMB0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	**2015** **RMB'000**	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**65,346**	48,331
Prepaid land lease payments		**12,502**	12,768
Intangible assets		**191,740**	77,413
Prepayments, deposits and other receivables	*13*	**15,196**	16,225
Payments in advance	*10*	**1,946**	2,400
Deferred tax assets	*20*	**7,721**	5,801
Restricted deposits	*14*	**2,312**	1,702
Total non-current assets		**296,763**	164,640
CURRENT ASSETS			
Inventories	*11*	**72,622**	69,898
Trade receivables	*12*	**63,321**	61,836
Prepayments, deposits and other receivables	*13*	**163,586**	40,739
Pledged deposits	*14*	**28,174**	36,000
Cash and bank balances	*14*	**861,324**	966,501
Total current assets		**1,189,027**	1,174,974
CURRENT LIABILITIES			
Trade and bills payables	*15*	**177,616**	130,470
Other payables and accruals	*16*	**80,769**	62,120
Tax payables		**24,376**	14,513
Interest-bearing bank loans	*17*	**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 (continued)
As at 31 December 2015

	Notes	**2015** **RMB'000**	2014 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*20*	**2,322**	3,174
Other payables	*16*	**9,300**	18,600
Deferred income	*18*	**5,690**	5,900
Provision for rehabilitation	*19*	**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	*21*	**10,492**	10,492
Reserves		**1,035,132**	956,733
Total equity		**1,045,624**	967,225

1. CORPORATE AND GROUP INFORMATION

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

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

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB") and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. REVENUE AND OPERATING SEGMENT INFORMATION

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

The Group's revenue and contribution to consolidated results are mainly derived from its sale of marble and marble related products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for 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

3. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

	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, Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. ("Jueshi Mining"), Huijin Stone (Xiamen) Co., Ltd. ("Xiamen Huijin Stone"), ArtGo Stone (Jiangxi) Co., Ltd. ("ArtGo Stone") and Fujian Nan'an ArtMore Stone Co., Ltd..

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

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

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

* Less than 10% of the total revenue

4. 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 18)*	**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.

5. 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 12)*	**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 19)*	**781**	671
	16,606	13,698

6. PROFIT BEFORE TAX

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

		2015	2014
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**154,448**	127,511
Employee benefit expense:			
Wages and salaries		**33,435**	41,554
Equity-settled share option expense	*22*	**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		**7,188**	4,887
Amortisation of prepaid land lease payments		**266**	266
Amortisation of intangible assets		**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	*13(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	*12*	**5,482**	—
Loss on disposal of items of property, plant and equipment		**32**	1
Bank interest income	*4*	**(19,416)**	(17,418)

7. 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.

The major components of income tax expense were as follows:

	2015	2014
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**27,998**	47,708
Deferred *(note 20)*	**(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	2014
	RMB'000	*RMB'000*
Profit before tax	**100,633**	144,217
Tax at the respective statutory tax rates:		
— Mainland China subsidiaries, at 25.0%	**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

8. 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).

9. 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.

10. PAYMENTS IN ADVANCE

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

11. INVENTORIES

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

12. TRADE RECEIVABLES

	2015	2014
	RMB'000	*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	2014
	RMB'000	*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).

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.

12. TRADE RECEIVABLES (continued)

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	2014
	RMB'000	*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.

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 5) on discounted bills issued for intra-group transactions.

13. 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		**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 23)*	*(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:

(a) The balances represent prepayments made to villagers for the use of parcels of land in Shangsheng Village for mining activities at the marble mine located in Yongfeng County, Jiangxi Province, the PRC ("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 previous shareholders of Jiangxi Jueshi (Ji'an) Mining Co., Ltd. ("Ji'an Mining"). It had 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.

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

	2015 RMB'000	2014 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 23)*	**(610)**	—
Pledged deposits for:		
Bills payable	**(28,174)**	(36,000)
	861,324	966,501

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 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.

15. TRADE AND BILLS PAYABLES

	2015	2014
	RMB'000	*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	2014
	RMB'000	*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

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.

16. OTHER PAYABLES AND ACCRUALS

	Notes	2015	2014
		RMB'000	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		**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:

(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 March 2016. 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.

17. 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 Xiamen Huijin Stone of RMB90,000,000 (2014: RMB125,900,000) were guaranteed by Jueshi Mining.

18. 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 4)*	(105)
At 31 December 2014 and 1 January 2015	5,900
Released to profit or loss *(note 4)*	(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.

19. 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 5)*	**781**	671
At the end of year	**12,493**	11,712

20. 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 *(note 7)* or loss during the year	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 7)*	(107)	484	377
At 31 December 2015	2,322	1,229	3,551

20. 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 Xiamen Huijin Stone and ArtGo Stone, the principal operating subsidiaries in Mainland China, the shareholder of Xiamen Huijin Stone and ArtGo Stone have the ultimate power to decide Xiamen 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 Xiamen 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 Xiamen Huijin Stone for the year have been recorded.

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

21. 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.

22. 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 1,199,998 share options expired without being exercised on 1 July 2015.

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		

22. SHARE OPTION SCHEMES (continued)

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).

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.

23. 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 the mining rights to two white marble stone mines located in Zhangxi village and Lingnan village in Jiangxi Province ("Zhangxi Mine" and "Lingnan Mine"). The mining permits for both Zhangxi Mine and Lingnan Mine are 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 foresaid 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.

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	202
Mining rights	114,202
Cash and bank balances	5
Restricted deposits *(note 14)*	610
Prepayments, deposits and other receivables *(note 13)*	135,518
Other payables and accruals	(537)
Total identifiable net assets at fair value	250,000

23. ACQUISITION (continued)

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

24. COMMITMENTS

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

25. EVENTS AFTER THE REPORTING PERIOD

On 18 March 2016, the Group acquired entire 100% interests in Shanghai Yunyi Enterprise Management Co., Ltd. ("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, as 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.

MANAGEMENT DISCUSSION AND ANALYSIS

In February 2013, the Group launched large-scale commercial production at 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 in the mining of Yongfeng Mine in the future.

As at the date of this announcement, the Group has a network of 126 distributors, covering 95 cities across 29 provinces and autonomous regions in the People's Republic of China (the "PRC" or "China"). In addition, the Group 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 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.

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

YONGFENG MINE (continued)

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.

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. Further details of the biographical information of Mr. LI Dingcheng and Mr. NIE Zhiqiang will be set forth in the annual report of the Company for the year ended 31 December 2015.

YONGFENG MINE (continued)

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 announcement) 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 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 of 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.

ZHANGXI MINE

The Zhangxi Mine is located at Yongfeng County of Jiangxi Province, China, about 50 km from the expressway from Fuzhou via Yongfeng to Ji'an under construction, which connects the Group with the China's national transportation system. The table below summarizes key information related to the current mining permit for the Zhangxi Mine.

Holder	Ji'an Mining
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 RMB161.5 million for a period of three years.

ZHANGXI MINE (continued)

The table below summarizes the marble resources of 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 activities for 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.

LINGNAN MINE

The Lingnan Mine is located at Yongfeng County of Jiangxi Province, China. 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 RMB81.0 million for a period of three years.

LINGNAN MINE (continued)

The table below summarizes the marble resources of 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 activities for 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.

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-sized 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

REVENUE (continued)

(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 that the Group adjusted the product structure and accordingly reduced the unit selling price, considering the situation that most of corporate customers engaged in decoration projects during the year and required products with different quality different from that of main corporate customers 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%

REVENUE (continued)

(c) Sales by Sales Channels (continued)

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.

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.

COST OF SALES (continued)

Transportation costs

Transportation costs included: (i) long-distance transportation fees for transporting marble blocks from the blocks yard of the Yongfeng Mine to Shuitou, Fujian, the processing centre; and (ii) short-distance transportation fees for transporting marble blocks to the transit yard and transportation allocation between the warehouse in Shuitou and processors according to 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 the both 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.

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.

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.

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 the net profits attributable to owners of the Company approximately RMB102.3 million in 2014.

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.

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).

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.

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.

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

	Remaining as at 31 December 2015 *RMB million*	Utilised for the year 2015 *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 two independent third party individuals as vendors, 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.

OTHER INFORMATION

SHARE CAPITAL

The total amount of authorised share capital of the Company is HK$30,000,000 divided into 3,000,000,000 ordinary shares of HK$0.01 each, with 1,333,334,000 ordinary shares in issue as at 31 December 2015. During the year of 2015, the share capital of the Company remained unchanged.

PRE-EMPTION RIGHT

Pursuant to the constitution of the Company and the laws of the Cayman Islands (the place where the Company was incorporated), no provision in relation to pre-emption rights shall apply to the Company.

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

For the purpose of determining the shareholders' rights to attend and vote at the annual general meeting of the Company (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,) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

MAJOR SUBSEQUENT EVENTS

Change of chief executive officer

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 remained as an executive Director and the Chairman of the Board. Details of the aforesaid changes can be referred to in the announcement published on the websites of the Stock Exchange and the Company on 9 March 2016.

Acquisition of entire interest in Shanghai Yunyi

On 21 March 2016, the Group completed the acquisition of entire interests in 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. 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.

MAJOR SUBSEQUENT EVENTS (continued)

Acquisition of entire interest in Shanghai Yunyi (continued)

The Group considered to move its headquarters to Shanghai to expand the target customer base in the first-tier city of the PRC, and to bring its natural, simple yet refined marble stone products into the middle-class market. 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.

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 of the Company (the "Shareholder") 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 incident, the Company had taken appropriate remedial and corrective measures to enhance the internal control of the Company. The relevant details 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 Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

DIVIDEND

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

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") which comprises three independent non-executive Directors, namely, Mr. WANG Hengzhong (as chairman), Mr. LIU Jianhua and Mr. JIN Sheng pursuant to the requirements under Rule 3.21 of the Listing Rules.

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, and reviewed this results announcement as well as the annual results for the year ended 31 December 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has complied with the code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2015, except for the following deviation.

Under code provision A.2.1 of the CG Code, 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.

On 27 November 2015, Mr. LIU Chuanjia has been appointed as the Co-chief Executive Officer and Mr. WU Wenzhen has been 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 published on the websites of the Stock Exchange and the Company on 27 November 2015.

On 31 December 2015, Mr. WU Wenzhen has 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 published on the websites of the Stock Exchange and the Company on 31 December 2015.

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. From the same date, the Company has complied with code provision A.2.1 of the CG Code.

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

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND 2015 ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.artgo.cn). The annual report of the Company for the year ended 31 December 2015 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board of
ArtGo Holdings Limited
Liu Chuanjia
Chairman and executive Director

Xiamen, the People's Republic of China, 31 March 2016

As at the date of this announcement, the Board of Directors comprises five executive Directors namely Mr. Liu Chuanjia, Mr. Gu Weiwen, Mr. Zhang Jian, Ms. Wu Jing and Mr. Li Dingcheng; and three independent non-executive Directors namely Mr. Liu Jianhua, Mr. Wang Hengzhong and Mr. Jin Sheng.