ARTGO HOLDINGS LIMITED
雅高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3313)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS HIGHLIGHTS

For the year ended 31 December 2019:

- The revenue from continuing operations of the Group amounted to approximately RMB273.7 million (2018: approximately RMB535.6 million), representing a decrease of approximately RMB261.9 million. The revenue from a discontinued operation amounted to approximately RMB0.8 million (2018: approximately RMB1.2 million), representing a decrease of approximately RMB0.4 million.

- The loss before tax from continuing operations amounted to approximately RMB75.3 million (2018: approximately RMB643.9 million), representing a decrease of approximately RMB568.6 million. The loss before tax from a discontinued operation amounted to approximately RMB4.4 million (2018: approximately RMB4.2 million).

- The net loss from continuing operations amounted to approximately RMB86.7 million (2018: approximately RMB645.2 million). The net loss from a discontinued operation amounted to approximately RMB4.1 million (2018: net loss approximately RMB3.9 million).

- The basic and diluted loss per share attributable to ordinary equity holders of the Company from both continuing operations and discontinued operation amounted to RMB3.1 cent (2018: basic and diluted loss per share of approximately RMB17.2 cent). The basic and diluted loss per share attributable to ordinary equity holders of the Company from continuing operations amounted to RMB3.0 cent (2018: basic and diluted loss per share of approximately RMB17.0 cent).

Reference is made to the announcement of ArtGo Holdings Limited (the "**Company**") dated 30 March 2020 in relation to the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Announcement**"). Terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

The board of directors (the "**Board**") of the Company is pleased to announce that the Company's auditors, Ernst & Young, have completed its audit procedures of the consolidated results of the Group for the year ended 31 December 2019 ("**2019 Results**") in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The 2019 Results contained herein are consistent with the Announcement in all material respects details of which, together with the comparative audited figures for the year ended 31 December 2018, are set out below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***RMB'000***	2018 *RMB'000* (Re-presented)
CONTINUING OPERATIONS			
REVENUE	*3,4*	**273,723**	535,551
Cost of sales		**(222,284)**	(497,909)
Gross profit		**51,439**	37,642
Other income and gains	*5*	**10,905**	9,045
Selling and distribution expenses		**(4,265)**	(5,376)
Administrative expenses		**(58,017)**	(88,175)
Other expenses		**(8,070)**	(6,953)
Impairment loss on intangible assets	*14*	**–**	(517,954)
Impairment loss on goodwill	*15*	**–**	(19,179)
Impairment loss on trade receivables	*18*	**(6,725)**	(9,667)
Impairment loss on property, plant and equipment	*11*	**–**	(1,521)
Impairment loss on prepayments, other receivables and other assets	*19*	**(2,327)**	(881)
Finance costs	*6*	**(45,315)**	(39,865)
Share of losses of associates		**(12,907)**	(1,014)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*7*	**(75,282)**	(643,898)
Income tax expense	*8*	**(11,370)**	(1,295)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(86,652)**	(645,193)

	Notes	**2019** **RMB'000**	2018 RMB'000 (Re-presented)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	*21*	**(4,087)**	(3,946)
LOSS FOR THE YEAR		**(90,739)**	(649,139)
Loss attributable to:			
Owners of the Company		**(90,164)**	(395,786)
Non-controlling interests		**(575)**	(253,353)
		(90,739)	(649,139)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
— Basic and diluted	*10*		
— For loss for the year		**RMB(0.031)**	RMB(0.172)
— For loss from continuing operations		**RMB(0.030)**	RMB(0.170)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**338,670**	235,105
Investment properties	*12*	**290,975**	90,267
Right-of-use assets	*13*	**272,557**	–
Prepaid land lease payments	*13*	**–**	350,017
Intangible assets	*14*	**657,612**	657,823
Prepayments, other receivables and other assets	*19*	**4,850**	13,280
Goodwill	*15*	**2,096**	–
Investments in associates		**363,139**	376,046
Payments in advance	*16*	**78,962**	90,237
Deferred tax assets		**4,848**	9,499
Restricted deposits	*20*	**3,721**	2,524
Total non-current assets		**2,017,430**	1,824,798
CURRENT ASSETS			
Inventories	*17*	**29,164**	54,019
Trade receivables	*18*	**172,929**	276,663
Prepayments, other receivables and other assets	*19*	**82,901**	45,154
Cash and bank balances	*20*	**84,765**	100,176
		369,759	476,012
Assets of a disposal group classified as held for sale	*21*	**104,321**	–
Total current assets		**474,080**	476,012

	Notes	2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	22	**57,670**	82,648
Contract liabilities		**4,223**	5,925
Other payables and accruals	23	**79,380**	112,648
Tax payables		**23,297**	31,811
Lease liabilities	13	**3,110**	–
Interest-bearing bank and other borrowings	24	**211,575**	223,388
		379,255	456,420
Liabilities directly associated with the assets classified as held for sale	21	**11,539**	–
Total current liabilities		**390,794**	456,420
NET CURRENT ASSETS		**83,286**	19,592
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,100,716**	1,844,390
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**266,247**	184,250
Deferred tax liabilities		**2,895**	11,874
Deferred income		**4,850**	5,060
Lease liabilities	13	**3,436**	–
Provision for rehabilitation		**16,140**	15,143
Total non-current liabilities		**293,568**	216,327
Net assets		**1,807,148**	1,628,063
EQUITY			
Equity attributable to owners of the Company			
Issued capital	25	**26,392**	22,768
Reserves		**1,687,257**	1,507,568
		1,713,649	1,530,336
Non-controlling interests		**93,499**	97,727
Total equity		**1,807,148**	1,628,063

NOTES:

1. CORPORATE AND GROUP INFORMATION

ArtGo Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is located at Unit 1302, 13/F., Golden Centre, 188 Des Voeux Road Central, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the business of mining, processing, sale of marble stones, the trading of commodities and cargo handling, warehousing, and logistics.

In the opinion of the Directors, the Company does not have an immediate holding company or ultimate holding company, nor there is in a position to exercise significant influence over the Company.

2.1 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"), International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The disposal group held for sale is stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 21. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 16	*Leases*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

IFRS 16 replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives and* SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for office premises and land use right. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("short-term lease") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at cost, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at cost applying IAS 40.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Financial impact at 1 January 2019

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	370,098
Decrease in prepaid land lease payments	(358,956)
Decrease in prepayments, deposit and other receivables	(9,169)
Increase in total assets	1,973
Liabilities	
Increase in lease liabilities	1,973
Increase in total liabilities	1,973
Impact on accumulated losses	–

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	2,025
Weighted average incremental borrowing rate as at 1 January 2019	5.94%
Discounted operating lease commitments at 1 January 2019	1,973
Lease liabilities as at 1 January 2019	1,973

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2023
[3] No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two (2018: three) reportable continuing operating segments as follows:

(a) the marble products segment produces marble products and calcium carbonate products mainly for further processing or trading; and

(b) the commodity trading segment conducts the trading business of commodities.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement. Following a change in the composition of the Group's reporting segments, the Group has restated the operating segment information for the year ended 31 December 2018.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019

	Marble products *RMB'000*	Commodity trading *RMB'000*	Total *RMB'000*
SEGMENT REVENUE *(note 4)*	**90,865**	**182,858**	**273,723**
Segment results	**23,720**	**(928)**	**22,792**
Reconciliation:			
Interest income			**395**
Foreign exchange loss, net			**(689)**
Finance costs (other than interest on lease liabilities)			**(44,944)**
Corporate and other unallocated expenses			**(52,836)**
Loss before tax			**(75,282)**
Segment assets	**1,783,781**	**59,919**	**1,843,700**
Reconciliation:			
Deferred tax assets			**4,848**
Cash and cash equivalents			**84,765**
Restricted deposits			**3,721**
Corporate and other unallocated assets			**450,155**
Assets related to a discontinued operation			**104,321**
Total assets			**2,491,510**
Segment liabilities	**636,194**	**10,437**	**646,631**
Reconciliation:			
Tax payable			**23,297**
Deferred tax liabilities			**2,895**
Liabilities related to a discontinued operation			**11,539**
Total liabilities			**684,362**
OTHER SEGMENT INFORMATION			
Impairment losses recognised in the statement of profit or loss, net	**7,348**	**1,704**	**9,052**
Share of losses of associates	**12,907**	**–**	**12,907**
Investments in associates	**363,139**	**–**	**363,139**
Depreciation and amortisation	**25,697**	**–**	**25,697**
Capital expenditure*	**171,024**	**10,963**	**181,987**

* Capital expenditure consists of additions to property, plant and equipment including assets from the acquisition of subsidiaries.

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018

	Marble products *RMB'000*	Commodity trading *RMB'000*	Total *RMB'000*
SEGMENT REVENUE *(note 4)*	86,116	449,435	535,551
Segment results	(534,672)	(2,114)	(536,786)
Reconciliation:			
Interest income			195
Foreign exchange gain, net			667
Finance costs			(39,865)
Corporate and other unallocated expenses			(68,109)
Loss before tax			(643,898)
Segment assets	1,380,957	224,639	1,605,596
Reconciliation:			
Deferred tax assets			9,499
Cash and cash equivalents			100,176
Restricted deposits			2,524
Corporate and other unallocated assets			474,222
Assets related to a discontinued operation			108,793
Total assets			2,300,810
Segment liabilities	599,175	27,826	627,001
Reconciliation:			
Tax payable			31,811
Deferred tax liabilities			11,874
Liabilities related to a discontinued operation			2,061
Total liabilities			672,747
OTHER SEGMENT INFORMATION			
Impairment losses recognised in the statement of profit or loss, net	528,456	1,465	529,921
Share of losses of associates	1,014	–	1,014
Investments in associates	376,046	–	376,046
Depreciation and amortisation	21,538	–	21,538
Capital expenditure*	122,097	–	122,097

* Capital expenditure consists of additions to property, plant and equipment including assets from the acquisition of a subsidiary.

3. 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 the customers are determined based on the locations at which the goods were delivered.

	2019	2018
	RMB'000	*RMB'000*
Domestic:		
Mainland China*	**273,723**	535,504
Overseas	**–**	47
	273,723	535,551

* Place of domicile of the Group's principal subsidiaries is Mainland China.

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:

	2019	2018
	RMB'000	*RMB'000*
Customer A	**–**	346,107
Customer B	**–**	55,217
Customer C	**52,791**	–
Customer D	**36,498**	–
Customer E	**34,557**	–
Customer F	**30,723**	–

4. REVENUE

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**273,723**	535,551

4. REVENUE (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	**Marble products** *RMB'000*	**Commodity trading** *RMB'000*	**Total** *RMB'000*
Type of goods or services			
Sale of Marble products	**90,865**	**–**	**90,865**
Sale of Commodities	**–**	**182,858**	**182,858**
Total revenue from contracts with customers	**90,865**	**182,858**	**273,723**

Geographical markets

All of the Group's external revenue is derived from customers based in Mainland China for the year ended 31 December 2019.

	RMB'000
Timing of revenue recognition	
Goods transferred at a point in time	**273,723**

For the year ended 31 December 2018

Segments	Marble products *RMB'000*	Commodity trading *RMB'000*	Total *RMB'000*
Type of goods or services			
Sale of Marble products	86,116	–	86,116
Sale of Commodities	–	449,435	449,435
Total revenue from contracts with customers	86,116	449,435	535,551

	RMB'000
Geographical markets	
Domestic* — Mainland China	535,504
Overseas	47
Total revenue from contracts with customers	535,551

* *The place of domicile of the Group's principal operating subsidiaries is Mainland China.*

4. REVENUE (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

	RMB'000
Timing of revenue recognition	
Goods transferred at a point in time	535,551

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**5,925**	8,459

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of goods and payment is generally due within one to six months from delivery.

At 31 December 2019, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. OTHER INCOME AND GAINS

An analysis of other income and gains from continuing operations is as follows:

	2019	2018
	RMB'000	*RMB'000*
Rental income *(note 7)*	**7,662**	7,662
Refund of value-added tax	**879**	–
Gain on disposal of right-of-use assets	**837**	–
Bank interest income *(note 7)*	**395**	195
Deferred income released to profit or loss	**210**	210
Government grants*	**585**	256
Miscellaneous	**337**	55
Foreign exchange gain, net	**–**	667
Total other income and gains	**10,905**	9,045

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**17,890**	18,128
Interest on other borrowings	**25,981**	20,616
Unwinding of a discount for rehabilitation	**997**	1,121
Interest on lease liabilities *(note 13)*	**371**	–
Others	**76**	–
	45,315	39,865

7. LOSS BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Cost of inventories sold		**222,284**	497,909
		222,284	497,909
Employee benefit expense (including Directors' and chief executive's remuneration)			
Wages and salaries		**13,502**	15,210
Equity-settled share option expense	26	**–**	36,139
Welfare and other benefits		**242**	324
Pension scheme contributions			
— Defined contribution fund		**1,328**	1,248
Housing fund			
— Defined contribution fund		**424**	524
Total employee benefit expense		**15,496**	53,445
Depreciation of items of property, plant and equipment	11	**9,203**	9,606
Depreciation of investment properties	12	**5,592**	4,067
Depreciation of right-of-use assets (2018: Amortisation of prepaid land lease payments)	13	**10,691**	7,530
Amortisation of intangible assets	14	**211**	358
Depreciation and amortisation expenses		**25,697**	21,561
Impairment losses recognised in:			
Trade receivables	18	**6,725**	9,667
Intangible assets	14	**–**	517,954
Goodwill	15	**–**	19,179
Property, plant and equipment	11	**–**	1,521
Prepayments, other receivables and other assets	19	**2,327**	881
Total impairment losses recognised		**9,052**	549,202
Loss on disposal of subsidiaries	29	**2**	–
Loss on disposal of items of property, plant and equipment, net		**78**	–
Lease payments not included in the measurement of lease liabilities		**2,697**	7,090
Auditor's remuneration		**3,300**	3,100
Foreign exchange loss/(gain), net		**689**	(667)
Rental income from an operating lease of investment properties	5	**(7,662)**	(7,662)
Bank interest income	5	**(395)**	(195)

8. 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.

Jiangxi Keyue Technology Co., Ltd ("Jiangxi Keyue") has been entitled to a preferential PRC CIT rate of 15% as it is accredited as a "High and New Technology Enterprise" from 13 August 2018 to 13 August 2021. Except for Jiangxi Keyue, pursuant to the income tax rules and regulations in the PRC, the subsidiaries located in Mainland China are liable for 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:

	2019 ***RMB'000***	2018 *RMB'000*
Current — Mainland China		
Charge for the year	**6,877**	1,111
Deferred	**4,493**	184
Total tax charge for the year from continuing operations	**11,370**	1,295
Total tax credit for the year from a discontinued operation *(note 21)*	**(298)**	(298)
	11,072	997

A reconciliation of the income tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Loss before tax from continuing operations	**(75,282)**	(643,898)
Loss before tax from a discontinued operation *(note 21)*	**(4,385)**	(4,244)
	(79,667)	(648,142)
Tax at the respective statutory tax rates:		
— Mainland China subsidiaries, at 25%	**(15,295)**	(150,549)
— Mainland China subsidiaries, at 15%	**166**	–
— Hong Kong subsidiary, at 16.5%	**(3,233)**	(7,581)
Non-deductible expenses	**8,483**	2,659
Loss not subject to tax	**1,704**	142,424
Tax effect of additional tax deduction	**(253)**	–
Tax losses not recognised	**19,500**	14,044
Tax charge at the Group's effective rate	**11,072**	997
Tax charge from continuing operations at effective rate	**11,370**	1,295
Tax credit from a discontinued operation at effective rate *(note 21)*	**(298)**	(298)

9. DIVIDENDS

At a meeting of the Board of Directors held on 30 March 2020, the Directors resolved not to declare any dividend to shareholders for the year ended 31 December 2019 (2018: Nil).

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

The calculation of basic loss per share for the year ended 31 December 2019 is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,899,487,229 (2018: 2,304,045,205) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the loss per share amounts presented.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Mining infrastructure *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2019							
Cost:							
At 1 January 2019	27,596	80,293	10,409	13,034	13,236	140,369	284,937
Additions	3,519	994	142	77	–	127,113	131,845
Acquisition of a subsidiary *(note 28)*	38,362	10,553	59	916	–	252	50,142
Assets included in a discontinued operation *(note 21)*	(12,826)	(27,348)	–	(150)	–	(1,889)	(42,213)
Disposal of subsidiaries *(note 29)*	(1,286)	(9,435)	(49)	(68)	–	–	(10,838)
Disposals	–	(755)	–	(558)	–	(16,763)	(18,076)
At 31 December 2019	55,365	54,302	10,561	13,251	13,236	249,082	395,797
Accumulated depreciation and impairment:							
At 1 January 2019	8,585	27,162	7,785	5,680	620	–	49,832
Provided for the year from continuing operations *(note 7)*	2,832	3,659	1,262	1,450	–	–	9,203
Provided for the year from a discontinued operation	323	2,075	27	14	–	–	2,439
Disposal of subsidiaries *(note 29)*	(374)	(2,942)	(30)	(66)	–	–	(3,412)
Disposals	–	(580)	–	(355)	–	–	(935)
At 31 December 2019	11,366	29,374	9,044	6,723	620	–	57,127
Net carrying amount:							
At 1 January 2019	19,011	53,131	2,624	7,354	12,616	140,369	235,105
At 31 December 2019	43,999	24,928	1,517	6,528	12,616	249,082	338,670
31 December 2018							
Cost:							
At 1 January 2018	27,382	78,782	9,457	12,497	16,314	23,310	167,742
Additions	–	207	1,826	–	–	117,059	119,092
Acquisition of a subsidiary *(note 27)*	214	1,304	3	537	–	–	2,058
Disposals	–	–	(877)	–	(3,078)	–	(3,955)
At 31 December 2018	27,596	80,293	10,409	13,034	13,236	140,369	284,937
Accumulated depreciation and impairment:							
At 1 January 2018	5,966	20,016	6,208	4,513	440	–	37,143
Provided for the year from continuing operations *(note 7)*	2,194	3,652	2,427	1,153	180	–	9,606
Provided for the year from a discontinued operation	323	2,075	27	14	–	–	2,439
Disposals	–	–	(877)	–	–	–	(877)
Impairment recognised during the year *(note 7)*	102	1,419	–	–	–	–	1,521
At 31 December 2018	8,585	27,162	7,785	5,680	620	–	49,832
Net carrying amount:							
At 1 January 2018	21,416	58,766	3,249	7,984	15,874	23,310	130,599
At 31 December 2018	19,011	53,131	2,624	7,354	12,616	140,369	235,105

As at 31 December 2019, the Group's property, plant and equipment with a carrying amount of RMB35,575,000 (2018: RMB12,952,000) was pledged as security for certain other borrowings granted to the Group *(note 24(a))*.

12. INVESTMENT PROPERTIES

	2019	2018
	RMB'000	*RMB'000*
Carrying amount at 1 January	**90,267**	94,334
Additions from acquisitions *(note 27)*	**206,300**	–
Depreciation provided for the year *(note 7)*	**(5,592)**	(4,067)
Carrying amount at 31 December	**290,975**	90,267

The Group's investment properties consist of eight (2018: five) properties in Shanghai of which five investment properties are leased to third parties under operating leases, and the remaining three are held for capital appreciation.

As at 31 December 2019, the total fair value of the investment properties was estimated to be approximately RMB300,423,000 (2018: RMB102,800,000). The valuation was performed by Sichuan Hengtai Real Estate Valuation Co., Ltd., an independent professionally qualified valuer. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The valuation is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected market rental growth and the occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value of the investment properties measured at the end of the reporting period was categorised into Level 3 valuation, where fair value was measured using significant unobservable inputs, as defined in IFRS 13 *Fair Value Measurement*.

As at 31 December 2019, the Group's investment properties with total carrying amount of RMB204,775,000 (2018: Nil) were pledged to secure certain other borrowings granted to the Group (note 24(a)).

As at 31 December 2019, one of the Group's investment properties with a carrying amount of RMB65,924,000 was preserved by courts due to a litigation related to a subsidiary acquired by the Group during the year for breach of contract, which was signed before the acquisition (note 30).

13. LEASES

The Group as a lessee

The Group has lease contracts for offices and land use rights used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 15 to 43 years, and no ongoing payments will be made under the terms of these land leases. Leases of offices generally have lease terms between 1 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	367,895
Recognised in profit or loss during the year	(8,939)
Carrying amount at 31 December 2018	358,956
Current portion included in prepayments, deposits and other receivables *(note 19)*	(8,939)
Non-current portion	350,017

13. **LEASES (continued)**

The Group as a lessee (continued)

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments *RMB'000*	**Office premises** *RMB'000*	**Parcels of land** *RMB'000*	**Total** *RMB'000*
As at 1 January 2019	358,956	1,973	9,169	370,098
Acquisition of subsidiaries *(note 28)*	4,766	–	–	4,766
New leases	–	6,484	–	6,484
Assets included in a discontinued operation *(note 21)*	(61,403)	–	–	(61,403)
Disposal	(35,288)	–	–	(35,288)
Depreciation charge from a discontinued operation	(1,409)	–	–	(1,409)
Depreciation charge from continuing operations *(note 7)*	(6,999)	(2,743)	(949)	(10,691)
As at 31 December 2019	258,623	5,714	8,220	272,557

As at 31 December 2019, the Group's right-of-use assets with a carrying amount of RMB259,858,000 (2018: RMB298,457,000) were pledged as security for certain bank and other borrowings granted to the Group (note 24(a)). The land use rights are held under medium lease terms.

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	RMB'000
Carrying amount at 1 January 2019	1,973
New leases	6,484
Accretion of interest recognised during the year *(note 6)*	371
Payments	(2,282)
Carrying amount at 31 December 2019	6,546
Analysed into:	
Current portion	3,110
Non-current portion	3,436

13. LEASES (continued)

The Group as a lessee (continued)

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019
	RMB'000
Interest on lease liabilities *(note 6)*	**371**
Depreciation charge of right-of-use assets	**12,100**
Expense relating to short-term leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	**502**
Expense relating to leases of low-value assets (included in administrative expenses)	**2,195**
Total amount recognised in profit or loss	**15,168**

The Group as a lessor

The Group leases its investment properties (note 12) consisting of commercial properties in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB7,662,000 (2018: RMB7,662,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019	2018
	RMB'000	*RMB'000*
Within one year	**8,146**	7,886
After one year but within two years	**8,146**	8,146
After two years but within three years	**8,516**	8,146
After three years	**33,196**	41,712
	58,004	65,890

14. INTANGIBLE ASSETS

	Mining rights *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2019			
Cost:			
At 1 January 2019 and 31 December 2019	662,459	2,006	664,465
Accumulated amortisation and impairment:			
At 1 January 2019	5,727	915	6,642
Amortisation provided during the year *(note 7)*	–	211	211
At 31 December 2019	5,727	1,126	6,853
Net carrying amount:			
At 1 January 2019	656,732	1,091	657,823
At 31 December 2019	656,732	880	657,612
31 December 2018			
Cost:			
At 1 January 2018	1,026,703	2,006	1,028,709
Acquisition of a subsidiary *(note 27)*	165,466	–	165,466
Write-off	(529,710)	–	(529,710)
At 31 December 2018	662,459	2,006	664,465
Accumulated amortisation and impairment:			
At 1 January 2018	17,335	705	18,040
Amortisation provided during the year *(note 7)*	148	210	358
Impairment *(note 7)*	517,954	–	517,954
Write-off	(529,710)	–	(529,710)
At 31 December 2018	5,727	915	6,642
Net carrying amount:			
At 1 January 2018	1,009,368	1,301	1,010,669
At 31 December 2018	656,732	1,091	657,823

14. INTANGIBLE ASSETS (continued)

(a) As at 31 December 2019, the Group's mining rights of Zhangxi Mine and Lichuan Mine with a carrying amount of RMB282,093,000 (2018: Zhangxi Mine with a carrying amount of RMB116,627,000) were pledged as security for certain bank loans granted to the Group (note 24(a)).

(b) Impairment

In accordance with the Group's accounting policies, each asset or cash-generating unit ("CGU") is evaluated annually at 31 December to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use ("VIU"). No impairment loss was recognised for the year ended 31 December 2019 (2018: RMB517,954,000).

15. GOODWILL

	RMB'000
At 1 January 2018:	
Cost	19,179
Impairment during the year *(note 7)*	(19,179)
At 31 December 2018	–
At 31 December 2018:	
Cost	19,179
Accumulated impairment	(19,179)
Net carrying amount	–
Cost at 1 January 2019, net of accumulated impairment	–
Business combination *(note 28)*	2,096
Cost and net carrying amount at 31 December 2019	2,096
At 31 December 2019:	
Cost	2,096
Accumulated impairment	–
Net carrying amount	2,096

15. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the Jiangxi Keyue cash-generating unit ("CGU") for impairment testing.

The recoverable amount of the Jiangxi Keyue CGU as at 31 December 2019 has been determined based on a value-in-use calculation using cash flow projections based on the key assumptions as follows:

The recoverable amount of the Jiangxi Keyue CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a ten-year period approved by senior management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the expected gross margins in the future years, increased for expected efficiency improvements, and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit. The discount rate applied to the cash flow projection is 13%.

Growth rate — The growth rate used to extrapolate the cash flows beyond the ten-year period is 3%, which is based on the estimated growth rate of the business unit, taking into account the industry growth rate, past experience and the medium or long term growth target.

The values assigned to the key assumption on discount rates are consistent with external information sources.

16. PAYMENTS IN ADVANCE

	2019	2018
	RMB'000	*RMB'000*
In respect of the purchase of:		
Property, plant and equipment	**78,962**	90,237

The balance mainly represented prepayments paid to independent third parties for the purchase of property, plant and equipment and the construction of a processing plants in Jiangxi and Guangxi Province, the PRC.

17. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Finished goods	**14,031**	39,052
Work in progress	**14,714**	13,983
Materials and supplies	**419**	984
	29,164	54,019

18. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**206,573**	303,582
Impairment	**(33,644)**	(26,919)
	172,929	276,663

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

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

An ageing analysis of the trade receivables as at the end of the reporting periods, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**73,624**	269,069
1 to 3 months	**36,716**	4,461
3 to 6 months	**5,681**	3,133
6 to 12 months	**56,908**	–
	172,929	276,663

18. TRADE RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**26,919**	17,252
Impairment losses, net *(note 7)*	**6,725**	9,667
At end of year	**33,644**	26,919

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due		
	Current	**Less than 1 year**	**Over 1 year**	**Total**
Expected credit loss rate	**2.15%**	**14.86%**	**100%**	
Gross carrying amount *(RMB'000)*	**118,571**	**66,840**	**21,162**	**206,573**
Expected credit losses *(RMB'000)*	**2,550**	**9,932**	**21,162**	**33,644**

As at 31 December 2018

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate	0.41%	100%	100%	
Gross carrying amount *(RMB'000)*	277,802	6,186	19,594	303,582
Expected credit losses *(RMB'000)*	1,139	6,186	19,594	26,919

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Current portion:			
Prepayments in respect of:			
— Processing fee		**2,296**	2,419
— Warehouse rental		**1,580**	1,580
— Lease of parcels of land	*(a)*	**–**	949
— Prepaid land lease payments to be amortised within one year *(note 13)*		**–**	8,939
— Purchase of materials and supplies		**1,106**	1,206
— Purchase of industrial goods		**19,458**	16,398
— Service fee		**1,839**	1,791
Deposits		**4,092**	3,196
Deductible input value-added tax		**3,035**	916
Consideration receivables for disposal of subsidiaries *(note 29)*	*(d)*	**36,593**	–
Performance security		**3,000**	3,000
Receivables under an operating lease		**12,296**	4,254
Other receivables		**814**	1,387
		86,109	46,035
Impairment allowance *(note 7)*	*(c)*	**(3,208)**	(881)
		82,901	45,154
Non-current portion:			
Prepayments in respect of			
— Lease of parcels of land	*(a)*	**–**	8,220
— Cultivated land used compensation	*(b)*	**4,850**	5,060
		4,850	13,280

Notes:

(a) The balances represent prepayments made to villagers for the use of parcels of land for mining activities at the marble mines located in Yongfeng County, Jiangxi Province, the PRC ("Yongfeng Mine") and in Lichuan County, Hubei Province, the PRC ("Lichuan Mine"). As a result of the initial application of IFRS 16, the lease of parcels of land amounting to RMB9,169,000 previously included in "Prepayments, other receivables and other assets" was adjusted to the right-of-use assets recognised at 1 January 2019 (note 13).

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

(c) An impairment loss of RMB2,327,000 (2018: RMB881,000) for financial assets in prepayments, other receivables and other assets was recognised during the year.

Where applicable, an impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2019 ranged from 0.5% to 10% (2018: 0.5% to 10%).

(d) The balance represents cash consideration receivable from the disposal of subsidiaries, which was fully collected on April 2020.

20. RESTRICTED DEPOSITS AND CASH AND BANK BALANCES

	2019	2018
	RMB'000	*RMB'000*
Cash on hand and cash at banks	**88,486**	102,700
Less:		
Restricted deposits for		
— Declaration of a scientific research project	**(3,506)**	–
— Environmental rehabilitation deposits	**(194)**	(2,524)
— Others	**(21)**	–
	84,765	100,176

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

	2019	2018
	RMB'000	*RMB'000*
RMB	**85,173**	101,590
HK$	**3,257**	1,029
US$	**56**	81
	88,486	102,700

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and 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.

21. DISCONTINUED OPERATION

The Disposal Group is mainly engaged in warehousing and logistics. Pursuant to the Company's investment committee resolution dated 12 December 2019, the Group has decided to dispose of the Disposal Group because it plans to focus the Group's resources on mining operations. Management has been in active discussions with potential buyers for the proposed disposal since December 2019. As at 31 December 2019, final negotiation for the disposal was in progress and the Disposal Group was classified as a disposal group held for sale. With the Disposal Group being classified as a discontinued operation, the warehousing logistics business is no longer included in note 3 for operating segment information.

The results of the Disposal Group for the year are presented below:

	2019	2018
	RMB'000	*RMB'000*
Revenue	**761**	1,241
Cost of sales	**(3,631)**	(3,602)
Gross loss	**(2,870)**	(2,361)
Other income and gains	**6**	147
Administrative expenses	**(1,451)**	(2,017)
Other expenses	**(70)**	(13)
Loss before tax from a discontinued operation *(note 8)*	**(4,385)**	(4,244)
Income tax credit *(note 8)*	**298**	298
Loss for the year from a discontinued operation	**(4,087)**	(3,946)

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 31 December 2019 are as follows:

	2019
	RMB'000
Assets	
Right-of-use assets *(note 13)*	**61,403**
Property, plant and equipment *(note 11)*	**42,213**
Prepayments, other receivables and other assets	**505**
Trade receivables	**177**
Cash and bank balances	**23**
Assets classified as held for sale	**104,321**
Liabilities	
Deferred tax liabilities	**(9,395)**
Other payables and accruals	**(1,863)**
Contract liabilities	**(235)**
Trade payables	**(46)**
Liabilities directly associated with the assets classified as held for sale	**(11,539)**
Net assets directly associated with the Disposal Group	**92,782**

21. DISCONTINUED OPERATION (continued)

The net cash flows incurred by the Disposal Group are as follows:

	2019 *RMB'000*	2018 *RMB'000*
Operating activities	**(110)**	85
Investing activities	**–**	–
Financing activities	**–**	–
Net cash inflow/(outflow)	**(110)**	85
Loss per share:		
— Basic and diluted from the discontinued operation	**RMB(0.001)**	RMB(0.002)

The calculation of basic loss per share from the discontinued operation is based on:

	2019	2018
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**RMB(4,087,000)**	RMB(3,946,000)
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation *(note 10)*	**2,899,487,229**	2,304,045,205

22. TRADE AND BILLS PAYABLES

	2019 *RMB'000*	2018 *RMB'000*
Trade payables	**57,670**	42,298
Bills payable	**–**	40,350
	57,670	82,648

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

	2019 *RMB'000*	2018 *RMB'000*
Within 1 month	**4,178**	5,894
1 to 2 months	**6,866**	861
2 to 3 months	**1,277**	1,538
Over 3 months	**45,349**	74,355
	57,670	82,648

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

23. OTHER PAYABLES AND ACCRUALS

	Note	2019 RMB'000	2018 RMB'000
Current portion:			
Payables relating to:			
Taxes other than income tax		**27,041**	26,149
Professional fees		**10,772**	9,709
Payroll and welfare		**6,281**	11,485
Purchase of property, plant and equipment		**5,148**	11,314
Mineral resources compensation fees		**4,480**	4,480
Security deposit		**1,886**	1,886
Distributors' earnest money		**1,745**	1,745
Rental fees		**808**	1,473
Employee reimbursement		**667**	529
Advertisement fees		**191**	191
Purchase of mining rights	*(a)*	**–**	18,600
Consideration payable for acquisition of subsidiaries *(note 27)*		**–**	11,432
Due to a Director		**–**	1,550
Interest payables relating to:			
Bank loans		**12,518**	5,987
Purchase of mining rights	*(a)*	**3,707**	3,707
Others		**4,136**	2,411
		79,380	112,648

Note:

(a) The balances represented payables in connection with the purchase of mining rights to Yongfeng Mine. The payables were unsecured and bore 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. Final payment of mining rights fee was settled in January 2019.

Except for the payables as described above, all other payables of the Group are non-interest-bearing.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2019 RMB'000	2018 RMB'000
Bank loans:			
Secured and guaranteed	(a)	**167,276**	36,653
Secured	(a)	**14,240**	142,047
Guaranteed	(b)	**41,856**	4,188
		223,372	182,888
Effective interest rate per annum (%)		**5.66–12.00**	5.66–7.60
Other borrowings:			
Secured and guaranteed	(a)	**200,000**	220,000
Unsecured	(c)	**54,450**	4,750
		254,450	224,750
Effective interest rate per annum (%)		**5.00–27.00**	8.00–9.20
Analysed into:			
Bank loans repayable:			
Within one year		**23,240**	173,388
In the second year		**200,132**	9,500
		223,372	182,888
Other borrowings repayable:			
Within one year		**188,335**	50,000
In the second year		**58,665**	170,000
In the third to fifth years, inclusive		**7,450**	4,750
		254,450	224,750
Total bank and other borrowings		**477,822**	407,638
Portion classified as current liabilities		**(211,575)**	(223,388)
Non-current portion		**266,247**	184,250

24. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

(a) The Group's bank loans and other borrowings of approximately RMB381,516,000 as at 31 December 2019 (2018: RMB398,700,000) were secured by certain assets with net carrying values as follows:

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Secured by:			
Property, plant and equipment	*11*	**35,575**	12,952
Investment properties	*12*	**204,775**	–
Prepaid land lease payments	*13*	**259,858**	298,457
Mining right of Zhangxi Mine and Lichuan Mine (2018: Zhangxi Mine)	*14*	**282,093**	116,627
Investments in an associate		**279,814**	–
		1,062,115	428,036

The Group's secured bank loans and other borrowings of approximately RMB367,276,000 as at 31 December 2019 (31 December 2018: RMB256,652,000) were jointly guaranteed by the Company's Director, Ms. Wu. Jing and her spouse Mr. Leung Ka Kit.

(b) The Group's bank loans of approximately RMB9,188,000 as at 31 December 2019 (31 December 2018: RMB4,188,000) were guaranteed by independent third parties, Xiamen Siming Technique Financial Guarantee Co., Ltd. and Ji'an Jiluling Financing Guarantee Co., LTD., with guarantee charges of RMB80,000 and RMB47,000, respectively.

The Group's bank loans of approximately RMB22,668,000 as at 31 December 2019 (31 December 2018:Nil) were guaranteed by the Director Mr. Gu Weiwen, and management members, Mr. Jiang Shikui and Ms. Chen Jianping. Bank loans of RMB10,000,000 were guaranteed by Yongfeng Country Industrial Park Management Committee at nil consideration.

(c) The Group's other borrowings of approximately RMB54,450,000 as at 31 December 2019 (31 December 2018: RMB4,750,000) were borrowed from several independent third party individuals and bore interest at fixed rates ranging 5% to 27% (2018: 8%) per annum.

25. SHARE CAPITAL

Shares

	2019	2018
	RMB'000	*RMB'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.01 each (2018: 5,000,000,000 ordinary shares of HK$0.01 each)	**39,953**	39,953
Issued and fully paid:		
3,156,827,729 ordinary shares of HK$0.01 each (2018: 2,752,041,551 ordinary shares of HK$0.01 each)	**26,392**	22,768

A summary of movements in the Company's share capital is as follows:

Issued share capital:

	Number of ordinary shares	**Nominal value of ordinary shares**
		RMB'000
At 1 January 2019	2,752,041,551	22,768
Issue of new shares for acquisition of subsidiaries *(Note (a))*	346,536,178	3,101
Share options exercised *(Note (b))*	58,250,000	523
As at 31 December 2019	3,156,827,729	26,392

Notes:

(a) On 20 June 2019, 23 August 2019 and 29 August 2019, the Group allotted and issued an aggregate of 119,248,035, 63,131,313 and 164,156,830 new ordinary shares of the Company as the consideration for the acquisition of the entire interests in Genpex Investment Limited (note 27), Kalong Holdings Limited (note 28), and Good Benefit Holdings Limited (note 27), respectively. RMB3,101,000 was credited to the share capital account of the Company. Particulars of these acquisitions were set out in the Company's announcements dated 20 June 2019, 23 August 2019 and 29 August 2019, respectively.

(b) The subscription rights attaching to 58,250,000 share options were exercised at the subscription price of HK$0.399 per share (note 26), resulting in the issue of 58,250,000 shares for a total cash consideration of RMB20,904,000. An amount of RMB523,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

26. 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. The final batch of 1,066,669 share options under the Pre-IPO Share Option Scheme expired without being exercised on 30 June 2018.

The Company also operated a new share option scheme (the "Share Option Scheme") which has been conditionally adopted by the written resolutions of the shareholders of the Company on 9 December 2013. The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the Eligible Participants, including (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries; and (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries, had or may have made to the Group. The Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to Directors, chief executives, substantial shareholders or any of their respective associates are subject to approval by the independent non-executive directors (excluding the independent non-executive directors who are the grantees of the options). In addition, any grant of share options to substantial shareholders or independent non-executive directors or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue on the date of offer with an aggregate value (based on the closing price of the Company's shares quoted on the Hong Kong Stock Exchange (the "HKSE") at the date of grant) in excess of HK$5 million made within any 12-month period from the date of grant (inclusive) would be subject to shareholders' approval in a general meeting.

The offer of a grant of share options under the Share Option Scheme may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

26. SHARE OPTION SCHEMES (continued)

The exercise price of share options is determinable by the board of Directors, but may not be less than the highest of (i) the nominal value of shares of the Company; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant of the share options; and (iii) the HKSE closing price of the Company's shares on the date of grant of the share options.

On 4 January 2018 and 30 October 2018, the Company granted options to subscribe for 133,333,400 and 229,300,000 ordinary shares of HK$0.01 each under the Share Option Scheme to eligible Directors, employees and other eligible participants, the exercise period of the share options granted is determinable by the Directors and commence effectively from the date of offer of the share options without vesting period. The exercise prices of the share options granted were HK$0.854 and HK$0.399 each respectively.

The following share options were outstanding during the year:

	Notes	**Weighted average exercise price HK$ per share**	**Number of options**
As at 1 January 2019	*(a)*	0.566	362,633,400
Exercised during the year	*(b)*	0.399	(58,250,000)
Expired during the year	*(c)*	0.854	(44,000,000)
As at 31 December 2019		0.555	260,383,400

Notes:

(a) The share options outstanding as at 1 January 2019 represented share options granted by the Company on 4 January and 30 October 2018 under the Share Option Scheme for a total of 133,333,400 and 229,300,000 shares with a nominal value of HK$0.01 each at exercise prices of HK$0.854 and HK$0.399, respectively.

(b) The weighted average share price at the date of exercise for share options exercised during the year was HK$0.399 per share (2018: No share options were exercised).

(c) 44,000,000 share options expired without being exercised on in 2019 (2018: 1,066,669 share options expired without being exercised on 30 June 2018).

26. SHARE OPTION SCHEMES (continued)

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

2019:

Number of options	**Exercise price per share HK$**	**Exercise period**
89,333,400	**0.854**	**From 4 January 2018 to 3 January 2020**
171,050,000	**0.399**	**From 30 October 2018 to 29 October 2020**
260,383,400		

2018:

Number of options	Exercise price per share HK$	Exercise period
133,333,400	0.854	From 4 January 2018 to 3 January 2020
229,300,000	0.399	From 30 October 2018 to 29 October 2020
362,633,400		

The Group had 260,383,400 share options exercisable as at 31 December 2019 (31 December 2018: 362,633,400). No share option expense was recognised during the year ended 31 December 2019 (2018: a share option expense of HK$42,336,000, equivalent to approximately RMB36,219,000, was recognised).

The fair values of equity-settled share options granted were estimated and valued by independent professional valuers as at the dates of grant, using the binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the major inputs to the model used:

	Equity-settled share options granted on	
	4 January 2018	30 October 2018
Expected volatility (%)	54.41	53.97
Risk-free interest rate (%)	1.36	2.15

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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 260,383,400 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 260,383,400 additional ordinary shares of the Company and additional share capital of HK$2,604,000 and share premium of HK$141,936,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 171,050,000 share options outstanding under the Share Option Scheme, which represented approximately 5.4% of the Company's shares in issue as at that date.

27. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2019

(a) Acquisition of Genpex

On 20 June 2019, the Group acquired 100% equity interests in Genpex Investment Limited ("Genpex") from Mr. Zhang Yuan, an independent individual and the then sole owner of Genpex, which is principally engaged in property investment. The purchase consideration was in the form of the allotment and issue of 119,248,035 new ordinary shares of the Company at the issue price of HK$0.81, amounting to HK$96,591,000 (equivalent to approximately RMB85,000,000) in aggregate.

Particulars of the acquisition of Genpex were set out in the Company's announcements dated 3, 10 and 20 June 2019.

(b) Acquisition of Good Benefit

On 29 August 2019, the Group acquired 100% equity interests in Good Benefit Holdings Limited ("Good Benefit") from Mr. Zhou Cheng Jiu, an independent individual and the then sole owner of Good Benefit. Good Benefit and its subsidiaries (together, "Benefit Group") are principally engaged in property investment. The purchase consideration was in the from of the allotment and issue of 164,156,830 new ordinary shares of the Company at the issue price of HK$0.81 per share, amounting to HK$132,967,000 (equivalent to approximately RMB121,000,000) in aggregate.

Particulars of the acquisition of the entire equity interests in Good Benefit were set out in the Company's announcements dated 3 and 13 June 2019 and 29 August 2019.

The acquisition of Genpex and Good Benefit Group have been accounted for as asset acquisitions, as these acquisitions did not have all required attributes of a business. The identified assets as at the respective dates of acquisitions are as follows:

2019

	Genpex *RMB'000*	Good Benefit Group *RMB'000*	Total *RMB'000*
Investment properties *(note 12)*	85,064	121,236	206,300
Total identifiable net assets at fair value	85,064	121,236	206,300
Satisfied by the Company's shares	85,064	121,236	206,300

27. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2018

Acquisition of Vigoroso Holdings:

On 19 December 2018, the Group acquired 100% equity interests in Vigoroso Holdings Limited ("Vigoroso Holdings") from Mr. Chen Yuhong, an independent individual and the then sole owner of Vigoroso Holdings. Vigoroso Holdings indirectly owns 80% equity interests in Lotus Materials, which holds the mining permit to a marble mine located at Shaxi County, Lichuan, Hubei Province, with an area of approximately 1.4565 square kilometres, which will expire on 22 August 2023. Vigoroso Holdings and its subsidiaries (together, "Vigoroso Group") are principally engaged in mining exploration of marble products.

The purchase consideration was in the form of cash, amounting to RMB11,432,000 and the allotment and issue of 458,666,666 ordinary shares by the Company at HK$0.305 per share at the acquisition date, amounting to HK$139,893,000 (equivalent to approximately RMB123,182,000) in aggregate. The acquisition was completed on 19 December 2018.

Particulars of the acquisition of the entire equity interests in Vigoroso Holdings were set out in the Company's announcements dated 29 August 2018 and 19 December 2018.

The acquisition of Vigoroso Group has been accounted for as an asset acquisition, as the acquisition did not have all required attributes of a business. The identified assets and liabilities as at the date of acquisition are as follows:

2018

	RMB'000
Property, plant and equipment *(note 11)*	2,058
Prepayment in respect of lease of parcels of land	1,302
Mining rights *(note 14)*	165,466
Cash and bank balances	1
Other payables	(560)
Non-controlling interests	(33,653)
Total identifiable net assets at fair value	134,614
Satisfied by cash	11,432
Satisfied by shares	123,182
	134,614

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

	RMB'000
Total cash consideration	(11,432)
Less: Cash and cash equivalents acquired	1
Cash consideration payable *(note 23)*	11,432
Net cash inflow from the acquisition of a subsidiary	1

28. BUSINESS COMBINATION

On 23 August 2019, the Group acquired 100% interest in Kalong Holdings Limited ("Kalong Holdings") from Mrs. Jiang Meiqin, an independent individual and the then sole owner of Kalong Holdings. Kalong Holdings indirectly owns 100% equity interests in Jiangxi Keyue, which is principally engaged in the business of processing and sales of calcium carbonate and other mineral products. The acquisition was made as part of the Group's strategy to extend its industrial chain, expand its business portfolio with a view to enhance its financial performance. The purchase consideration for the acquisition was satisfied by the allotment and issue of 63,131,313 consideration shares at the issue price of HK$0.81 per share by the Company. The acquisition has been completed on 23 August 2019.

Particulars of the acquisition of the entire equity interests in Kalong Holdings were set out in the Company's announcements dated 2 July 2019 and 23 August 2019.

The fair values of the identifiable assets and liabilities of Kalong Holdings and its subsidiaries (together, "Kalong Group") as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Cash and bank balances	205
Restricted deposits	3,506
Trade receivables	19,280
Prepayments, other receivables	10,902
Right of use assets *(note 13)*	4,766
Property, plant and equipment *(note 11)*	50,142
Inventories	946
Deferred tax liabilities	(787)
Interest-bearing bank borrowings	(31,240)
Trade payables	(6,111)
Contract liabilities	(1,747)
Tax payable	(227)
Interest payable	(220)
Other payables and accruals	(5,238)
Total identifiable net assets at fair value	44,177
Goodwill on acquisition *(note 15)*	2,096
Satisfied by shares	46,273

28. BUSINESS COMBINATION (continued)

An analysis of the cash flow in respect of the business combination is as follows:

	Fair value recognised on acquisition *RMB'000*
Cash and cash equivalents acquired	205
Net cash inflow from the acquisition of subsidiaries	205

Since the acquisition, Kalong Holdings Group contributed RMB13,107,000 to the Group's revenue and recorded RMB1,107,000 profit in the consolidated results for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 31 December 2019 would have been increased by RMB39,321,000 and RMB3,320,000, respectively.

29. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Evoke Investment Limited

During 2019, the Group disposed of 100% equity interests in Evoke Investment Limited and its subsidiaries (collectively referred to as the "Disposed Subsidiaries") to an independent individual for an aggregate cash considerations of RMB3,800,000. The Disposed Subsidiaries were primarily engaged in mining exploration of marble products.

Net assets disposed of:

	RMB'000
Cash and bank balances	723
Trade receivables	2,950
Prepayments, other receivables and other assets	26,867
Inventories	7,453
Property, plant and equipment *(note 11)*	7,426
Deferred tax asset	85
Trade payables	(9,937)
Other payables and accruals	(13,536)
Contract liabilities	(2,466)
Tax payables	(2,194)
Interest payables	(416)
Interest-bearing bank borrowings	(9,500)
Non-controlling interests	(3,653)
Total identifiable net assets	3,802
Loss on disposal of subsidiaries *(note 7)*	(2)
Satisfied by cash	3,800

29. DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal of Evoke Investment Limited (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration	3,800
Less: cash and cash equivalents disposed	(723)
cash consideration receivable *(note 19)*	(3,800)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(723)

(b) Disposal of ArtGo (Jiangsu) Technique Industrial Co., Ltd. ("ArtGo Jiangsu")

On 27 December 2019, the Group disposed of 100% equity interests in ArtGo Jiangsu to an independent individual for an aggregate cash considerations of RMB32,793,000. ArtGO Jiangsu was primarily engaged in wholesale of decorating materials and chemical products.

Net assets disposed of:

	RMB'000
Restricted deposits	16
Prepayments, other receivables and other assets	33,937
Other payables and accruals	(944)
Tax payables	(216)
Total identifiable net assets	32,793
Loss/(gain) on the disposal	–
Satisfied by cash	32,793

An analysis of the net outflow of restricted deposits in respect of the disposal of the subsidiary is as follows:

	RMB'000
Cash consideration	32,793
Less: restricted deposits disposed	(16)
cash consideration receivable *(note 19)*	(32,793)
Net outflow of restricted deposits in respect of the disposal of the subsidiary	(16)

30. CONTINGENT LIABILITIES

The Group has assessed and made necessary provision for any probable outflow of economic benefits in relation to contingent liabilities at the reporting date in accordance with its accounting policies.

A subsidiary acquired by the Group during the year is currently a defendant in a lawsuit alleging that the subsidiary breached and repudiated a contract to purchase a residential property. The contract was signed by the subsidiary before its acquisition by the Group.

The Directors, based on the advice from the Group's external PRC legal counsel, believe that the subsidiary has valid defences against the allegation and the subsidiary has been indemnified against the lawsuit from the then owner of the subsidiary and, accordingly, has not provided for any loss arising from the unsettled litigation. The contingencies will not have material impact on financial position and operations of the Group.

31. COMMITMENTS

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

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
— Plant and equipment	**95,938**	152,959

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Marble and Mining Business

Our new marble processing plant ("marble processing plant") in Jiangxi Province, the PRC was designed to house a total of eighteen large-sized stone pull saw machines. The plant will become the largest marble processing facility in the province. As at 31 December 2019, twelve of these stone pull saw machines together with other slabs grinding and polishing machines have been installed. Some of these machines had finished their test-run adjustments and had been put into production. Products produced from the new stone saw machines and slabs grinding machines installed were proved to be of top qualities and with high precision. Besides the Jiangxi plant, the Group has been establishing another new processing facility in Guangxi Province, the PRC to cater for the marble processing demand in Guangxi and the nearby region. During the year ended 31 December 2019, all the twelve large-sized stone pull saw machines had been delivered to the Guangxi facility and the related installation work was ongoing. The new processing facilities in the two regions not only serve the regional needs with different types of marbles, they can also achieve an economy of scale from centralised technical support and maintenance procurement costs.

In the past, the Group used third-party contractors for marble slab processing from marble blocks extracted from our own mines with quality control over slab processing by our own experienced quality control teams. With the establishment of the processing facilities and our quality control teams, our business model will be more flexible. Apart from the marble blocks from our own mines, we will be more selective in sourcing different types and better-quality marble blocks from other mine operators for processing into slabs to enrich our product lines. In the meantime, marble blocks from our own mines which were identified as unsuitable for own processing were sold directly in the market in order to ensure that the slabs products produced from our own processing plants are of top quality in long run.

The aggregate revenue from sales of marble products dropped from RMB86.1 million in 2018 to RMB77.8 million in 2019 in which marble block sales soared from RMB14.8 million last year to RMB44.3 million this year as more marble blocks unsuitable for own processing were sold. On the other hand, the sales of marble slabs dropped from last year's RMB71.3 million to RMB33.4 million this year as our own processing facilities were yet to operate in full capacity resulting in a drop in sales volume from approximately 454,000 sq. m to 278,000 sq. m. not to mention the negative market sentiment under the weakest annual GPD growth rate of 6.1% in China since 1990 was recorded.

Our mine excavation activity remained sluggish. The mining rights over Yongfeng Mine, the Group's largest mine located in Jiangxi Province, has been renewed from time to time with different length of period and can be extended to 5 February 2043 according to applicable laws and regulations. The current certificate of mining rights shall be expired on 5 June 2020. The Group has been actively negotiating with the local government authority in order to fulfill all the conditions in order to obtain a certificate of mining rights for a longer period of 5 years or beyond to facilitate the longer-term business planning. The major condition for issuing such certificate is that the mine's relevant environmental protection constructions need to reach a certain level under the government authority's requirements. The Group has commissioned contractors to improve the mine's relevant layouts and facilities in order to meet such requirements. Mining activities in the Yongfeng Mine were halted during the year in order to speed up the environmental protection construction work. Based on the latest assessment, the Group expects that most of the work shall be completed by mid-2020 and wishes to renew the certificate of mining rights for a longer period thereafter.

Since 2018, following President Xi Jinping's speech on the National Ecological and Environmental Protection Conference, the ecological civilisation construction and promotion of environmental protection has been a major goal the PRC government is pursuing. The Green Mine concept was evolved and a detailed formal standard in relation to the Green Mine construction, 「砂石行業綠色礦山建設規範」was issued by the PRC Ministry of Natural Resources. Different local government authorities have further raised their consciousness on the ecological and environmental perspectives. Managements of the Group's other different mines have been working on the Green Mine governing plans and the related works in order to fulfill the required standard before renewed mining certificates can be officially issued or large-scale mining activities can be commenced.

During the year, the Group acquired a group of companies ("Kalong Group") which is principally engaged in the manufacturing and sale of calcium carbonate for industrial used. The products of Kalong Group are mainly produced from marble residues and hence is one of the downstream business of our marble business. It has three main series of calcium carbonate products which contributed a total of approximately RMB13.1 million to the Group's revenue subsequent to its becoming a member of the Group and also recorded a post-acquisition profit of approximately RMB1.1 million. The acquisition further expanded the Group's existing business segment by widening the spectrum from stone mining to the stone application.

Commodities Trading Business

Prior to the signing of the phase one China-US trade war deal in January 2020, the global trade market was shrouded in an atmosphere of uncertainty especially the mercurial negotiation between the world's two largest national economies. During the year, the Group had taken an extra cautious approach in carrying out any commodities trading transactions in view of such market condition. Consequently, the Group's annual commodity trading transactions for the year was reduced as compared to those for 2018 and recorded an aggregate revenue of approximately RMB182.9 million for the year as compared to that of approximately RMB449.4 million in 2018.

Warehousing Logistics Business

The Group had been engaged in the warehousing and logistics business since 2017 through its subsidiary, Shiny Goal Holdings Limited and its subsidiaries ("Shiny Goal Group"). The segment results were not encouraging since its kickoff. As customers of Shiny Goal Group are mainly local importers of raw materials and manufacturing companies for production of goods for export, the slowdown of the import/export business activities has a direct impact to the demand of the logistics services geographically where these customers situated. The business environment of this segment further deteriorated in the China-US trade war time these two years. In late December 2019, after reviewing the segment's business environment, the Group decided to abandon this business segment by disposal of the Shiny Goal Group. The Group has since then been actively soliciting potential buyers and the feedbacks are positive. The disposal when realised would not have significant financial impact to the Group whereas the Group can better utilise the resources to its other business segments.

Corporate Development and Major Acquisitions

In view of the existing uncertainty surrounding the business environments of the Group's existing business segments, the Group has been exploring various opportunities for investment projects in order to enhance its shareholders' value.

In mid-2019, the Group assessed the condition of the PRC property market and considered that the prospect of the market is positive in long-run. Accordingly, it entered into certain memoranda of understanding for the acquisitions of several properties. The properties are situated in luxury locations in certain core residential districts in Shanghai which the Group considered such acquisitions are valuable investment opportunities for it to participate in the PRC property market which would enable the Group to benefit from the potential long-term appreciation of the properties in the PRC property market. The Group intends to lease out the properties which will provide future stable income for the Group.

Among the properties, three properties were successfully acquired in 2019 at an aggregate consideration of approximately RMB206 million which was satisfied by the issue of an aggregate of approximately 283.4 million of new shares. Details of the acquisitions are set out in the Company's announcements dated 10 June 2019, 13 June 2019, 20 June 2019 and 29 August 2019 respectively.

FINANCIAL REVIEW

REVENUE

In 2019, the Group recorded an operating revenue of approximately RMB274.5 million (2018: approximately RMB536.8 million) from both of its continuing and discontinued operations, representing a decrease of approximately RMB262.3 million (or 48.9%) compared to that of 2018, mainly due to revenue generated from commodity trading business decreased by approximately RMB266.6 million as a result of the scale of trading transaction decreased. Revenue from continuing operations amounted to approximately RMB273.7 million, representing a decrease of approximately RMB261.9 million (or 48.9%) compared to that of 2018.

(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:

		2019			2018	
		Approximate percentage	**Gross profit/ (loss) margin**		Approximate percentage	Gross profit/ (loss) margin
	RMB'000	**%**	***(%)***	*RMB'000*	%	*(%)*
Marble blocks	**44,343**	**16.2**	**76.0**	14,806	2.8	73.0
One-side-polished Slabs	**29,767**	**10.8**	**40.0**	61,293	11.4	35.0
Cut-to-size slabs	**3,648**	**1.3**	**8.0**	10,017	1.9	13.3
Calcium carbonate products	**13,107**	**4.8**	**35.0**	–	–	–
Commodity Trading	**182,858**	**66.6**	**0.6**	449,435	83.7	0.9
Revenue from continuing operations	**273,723**	**99.7**	**18.8**	535,551	99.8	7
Logistics	**761**	**0.3**	**(377.0)**	1,241	0.2	(190.2)
Revenue from discontinued operations	**761**	**0.3**	**(377.0)**	1,241	0.2	(190.2)
Total	**274,484**	**100.0**	**17.7**	536,792	100.0	6.6

(b) Sales Volume and Average Selling Price

The following table sets out the sales volumes and average selling prices of marble blocks, one-side-polished slab, cut-to-size slab and calcium carbonate products:

Sales volume	**2019**	2018
Marble blocks (m^3)	**14,040**	4,609
One-side-polished slabs (m^2)	**242,040**	414,597
Cut-to-size slabs (m^2)	**35,519**	39,094
Calcium carbonate products (Ton)	**36,305**	–
Average selling price		
Marble blocks (RMB/m^3)	**3,158**	3,212
One-side-polished slabs (RMB/m^2)	**123**	148
Cut-to-size slabs (RMB/m^2)	**103**	256
Calcium carbonate products (RMB/Ton)	**361**	–

For the year ended 31 December 2019, the unit selling price of marble blocks decreased by approximately 1.7% as compared to that of 2018, mainly due to lower unit selling price of marble blocks sold to a major customer in 2019. The average selling price of One-side-polished slabs during the year decreased by approximately 16.9% compared with that of 2018, which was mainly due to the decrease in the proportion of high-priced One-side-polished slabs (Century Platinum Slabs, Sapphire Slabs and so on) being sold.

The average selling price of cut-to-size slabs during the year decreased by approximately 59.8% compared with that of 2018, mainly due to the reallocation of the Group's warehouse from Shuitou to Jiangxi, where a new marble processing plant combining the functions of processing and warehousing have been put into use at the end of 2019, motivating ArtGo Stone to clear up long aged Cut-to-size slabs in Shuitou at the average selling price of RMB103 m^2 through sales promotion which resulted in the decrease in the overall average selling price.

The average selling price of Calcium carbonate products was RMB361 per ton for the year ended 31 December 2019. Calcium carbonate and other mineral products was our recently-developed product line in this year, manufactured by our newly-acquired Kalong Holdings Group in Jiangxi. These products are widely used in industries such as rubber, plastic, papermaking, chemical building materials, inks, and so on.

Cost of Sales

For the year ended 31 December 2019, the Group's cost of sales amounted to approximately RMB222.3 million from continuing operations, which mainly consisted of processing costs, marble blocks mining costs, transportation costs and the purchase costs for commodities trading.

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 of one-side-polished slabs decreased by approximately RMB4.2 million, representing a decrease of approximately 88.4%, which was mainly due to the drop in quantity of both one-side-polished slabs and cut-to-size slabs being processed. The use of our own processing facilities in the year was another factor led to reduced processing fees to outside processors.

Marble Blocks mining costs

In 2019, marble blocks mining costs of the Group mainly included mining labour costs, materials consumption, fuel, power, depreciation of production equipment and amortisation of mining rights. The marble blocks mining cost per unit decreased nearly by 15.0% compared to that of 2018, mainly due to the significant decrease in mining labour costs.

Transportation Costs

Transportation costs included: (i) long-distance transportation fees for transporting marble blocks from the blocks yard to the processing centre; and (ii) short-distance transportation fees for transporting marble blocks to the transit yard and transportation between the warehouse and processing centre. Transportation costs accounted for approximately 0.2% and 0.3% of the production costs for 2019 and 2018, respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

During 2019, the Group realised a gross profit from continuing operations amounted to approximately RMB51.4 million, representing an increase by approximately RMB13.8 million as compared to that of 2018. The gross profit margin in 2019 was approximately 18.8%, while the gross profit margin in 2018 was approximately 7.0%.

OTHER INCOME AND GAINS

Other income and gains mainly included refund of value-added tax, gain on disposal of right-of-use assets, government grants, interest income from bank deposits and rental income derived from five commercial units of the Group. Compared with 2018, other income and gains increased by RMB1.9 million due to refund of value-added tax amounted to RMB0.9 million, and increase in government grants amounted to approximately RMB0.3 million.

OTHER EXPENSES

Other expenses from continuing operations mainly included penalties and rental expenses derived from five commercial units of the Group. In 2019, such expenses amounted to approximately RMB8.0 million.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly consisted of salaries of sales and distribution staff, transportation costs and advertising costs. Selling and distribution expenses from continuing operations decreased by approximately RMB1.1 million, from approximately RMB5.4 million for the year ended 31 December 2018 to approximately RMB4.3 million for the year, which was due to the restructuring of the sales department of Xiamen Huijin Stone as part of the Group’s strategy adjustment during the years.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly consisted of equity-settled share option expenses, salaries of administrative staff, rental fee, consultancy fees and depreciation expense. Administrative expenses from continuing operations decreased by approximately RMB30.2 million, from approximately RMB88.2 million for the year ended 31 December 2018 to approximately RMB58.0 million for the year. The decrease in administrative expenses was mainly due to the decrease in equity-settled share option expenses.

FINANCE COSTS

Finance costs mainly included interests on bank loans, interest on deferred payment from the acquisition of mining rights and related interests of rehabilitation. Finance costs for the year ended 31 December 2019 from continuing operations amounted to approximately RMB45.3 million and increased by approximately RMB5.4 million as compared to that of 2018. The increase was mainly attributable to the increase in interests on bank loans and other borrowing.

INCOME TAX EXPENSE

Income tax expense from continuing operations increased by approximately RMB10.1 million from approximately RMB1.3 million for the year ended 31 December 2018 to approximately RMB11.4 million for the year. The increase was mainly due to less taxable loss from the Group's subsidiaries in Mainland China could have been utilised during the year.

LOSS AND TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The net loss from continuing operations amounted to approximately RMB86.7 million (2018: approximately RMB645.2 million) and the net loss from a discontinued operation amounted to approximately RMB4.1 million (2018: approximately RMB4.0 million). The decreased net loss was attributable to the decrease in impairment losses on both intangible asset and goodwill, and non-existence of share option expense in the year.

INVENTORIES

The Group's inventories decreased by RMB24.8 million from approximately RMB54.0 million as at 31 December 2018 to approximately RMB29.2 million as at 31 December 2019. It was primarily due to the fact that the Group did not have exploration, development and production activities for the Mines during the year.

TRADE RECEIVABLES AND TURNOVER DAYS

The Group's trade receivables and bills receivable from continuing operations decreased from approximately RMB276.7 million as at 31 December 2018 to approximately RMB172.9 million as at 31 December 2019. The decrease was mainly due to the business shrinkage in commodity trading. In spite of this, the turnover days of trade receivable increased from 238 in 2018 to 299 in 2019. The increase in the turnover days was primarily owing to the tightening of financial market conditions, the financial difficulties experienced by downstream enterprises were aggravated and hence the payment to their suppliers was decelerated. Therefore, the Group's certain distributor customers delayed repayment to the Group accordingly as their respective operating cash inflow from the downstream entities were decelerated.

TRADE AND BILLS PAYABLES

The Group's trade and bills payables from continuing operations decreased by approximately RMB24.9 million from approximately RMB82.6 million as at 31 December 2018 to approximately RMB57.7 million as at 31 December 2019. The decrease was in line with the declines in revenue and purchase.

NET CURRENT ASSETS

Net current assets of the Group increased from approximately RMB19.6 million as at 31 December 2018 by 325.0% to approximately RMB83.3 million as at 31 December 2019, which was primarily due to decrease in trade and bills payables with the decrease in sales in respect of trading of commodity.

CURRENT RATIO

The current ratio, being current assets over current liabilities, was 1.2 as at 31 December 2019 (31 December 2018: 1.0), which remained stable.

BORROWINGS

The Group generally finances its operations with internally generated cash flows, other borrowings and banking credit facilities. As at 31 December 2019, the Group had total bank loans and other borrowings of approximately RMB477.8 million (31 December 2018: approximately RMB407.6 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 31 December 2019, the gearing ratio was 21.5% (2018: 18.7%).

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 2019, the Group's expenditure for: (i) purchase of investment properties aggregated to approximately RMB206.3 million; (ii) acquisition of Kalong Holdings and its subsidiaries' property, plant and equipment aggregated to approximately RMB50.1 million; and (iii) acquisition of Right-of-use assets aggregated to approximately RMB4.8 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 of Directors 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.

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 2019, the total number of full-time employees of the Group was 205 (31 December 2018: 122). Employee costs (including the Directors' remunerations) totally amounted to approximately RMB15.5 million for 2019 (2018: approximately RMB53.4 million). During the year, the Group acquired the business of Kalong Group resulting in a substantial increase in the overall headcounts. Meanwhile, taking into account the strategic goal of the Group, operating results, efforts and contributions made by each of our executive Directors, senior management and employees, and for the purposes of recognising 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 were in line with the market performance and their qualifications and abilities, and made adjustment according to varied percentage. 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 respective regions in the PRC 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 2019, the contributions of approximately RMB1.33 million (2018: approximately RMB1.25 million) were charged to the profit and loss account as they became payable in accordance with the rules of the central pension scheme.

PLEDGE OF ASSETS

As at 31 December 2019, the property, plant and equipment of approximately RMB35.6 million, the investment properties of RMB204.8 million, the prepaid land lease payment of approximately RMB259.9 million, mining rights of Zhangxi Mine and Lichuan Mine aggregated to approximately RMB282.1 million and investments in an associate of approximately RMB 279.8 million were pledged as security for obtaining certain bank and other loans granted to the Group. As at 31 December 2018, the property, plant and equipment of approximately RMB13.0 million, the prepaid land lease payment of approximately RMB298.5 million, and mining rights of Zhangxi of approximately RMB116.6 million were pledged as security for obtaining certain bank and other loans granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group had capital commitments of approximately RMB95.9 million for acquisition of property, plant and equipment, which were contracted but not provided for (2018: RMB153.0 million). As at 31 December 2019. A subsidiary of the Group is currently a defendant in a lawsuit alleging that the subsidiary breached and repudiated a contract to purchase a residential property. Save for this, the Group had no other material contingent liabilities.

MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER

(a) Acquisition of Genpex

During the year, the Group acquired 100% equity interests in Genpex from Mr. Zhang Yuan, an independent individual and the then sole owner of Genpex, which is principally engaged in property investment. The purchase consideration was in the form of the allotment and issue of 119,248,035 ordinary shares by the Company at the issued price of HK$0.81, amounting to approximately HK$96.6 million (equivalent to approximately RMB85.0 million) in aggregate.

Particulars of the acquisition of the entire equity interests in Genpex are set out in the Company's announcements dated 3 June 2019, 10 June 2019 and 20 June 2019.

(b) Acquisition of Good Benefit

During the year, the Group acquired 100% equity interests in Good Benefit from Mr. Zhou Cheng Jiu, an independent individual and the then sole owner of Good Benefit. Good Benefit and its subsidiaries are principally engaged in property investment. The purchase consideration was in the form of the allotment and issue of 164,156,830 ordinary shares by the Company at the issued price of HK$0.81 per share, amounting to approximately HK$133.0 million (equivalent to approximately RMB121.0 million) in aggregate.

Particulars of the acquisition of the entire equity interests in Good Benefit are set out in the Company's announcements dated 3 June 2019, 13 June 2019 and 29 August 2019.

(c) Acquisition of Kalong Holdings

During the year, the Group acquired 100% interest in Kalong Holdings from Mrs. Jiang Meiqin, an independent individual and the owner of Kalong Holdings. Kalong Holdings indirectly owns 100% equity interests in Jiangxi Keyue, which is principally engaged in the business of processing and sales of calcium carbonate and other mineral products. The acquisition was made as part of the Group's strategy to extend its industrial chain, expand its business portfolio and possibly enhance its financial performance. The purchase consideration for the acquisition was satisfied by the allotment and issuance of 63,131,313 consideration shares at the issue price of HK$0.81 by the Company.

Particulars of the acquisition of the entire equity interests in Kalong Holdings are set out in the Company's announcements dated 3 June 2019, 2 July 2019 and 23 August 2019.

(d) Disposal of Evoke Investment Limited

During year, the Group disposed of the 100% equity interests in Evoke Investment Limited and its subsidiaries ("Evoke Group") to an independent individual for an aggregate cash consideration of RMB3,800,000. Evoke Group was primarily engaged in mining exploration of marble products.

(e) Disposal of ArtGo (Jiangsu) Technique Industrial Co., Ltd

During the year, the Group disposed of 100% equity interests in ArtGo Jiangsu to an independent individual for an aggregate cash considerations of RMB32,793,000. ArtGo Jiangsu was primarily engaged in wholesale of decorating materials and chemical products.

OUTLOOK

Notwithstanding the silver linings arising from the positive progress of the China-US trade war were around the corner when approaching the end of 2019, the sudden outbreak of COVID-19 wiped out the hope of the business sector. It created a huge turmoil and striked the global economy severely. Although China is the first country being affected by COVID-19, the determination and swift reaction of the PRC government by the implementation of various emergency measures are proved to be effective and impressive. The Group has confident that among the countries affected, China will be the first country to have its economy be recovered from the aftermath of COVID-19. The Group believes that the PRC government will continue introducing additional policies and mitigation measures to stimulate the internal demand and promote real estate and infrastructure investments in PRC in order to counter the negative effect created by the previous trade war and the aftermath of COVID-19. We believe the Group's business will be benefited from the boosted up internal demand. Having said that, given that the effect of COVID-19 is still on-going, it is premature to assess its negative impact to the Group. The Group will continue its existing business and adjust its strategy from time to time in order to adapt to the changing financial environment. It will carry out its business plan and make its investment decisions cautiously based on the changing market situation and the conditions of the Group.

SUBSTANTIAL INVESTMENT

Save for those disclosed in the paragraph headed "Major Acquisition and Disposal of Assets and Merger", the Group had no significant investments or material acquisitions or disposal of subsidiaries and associated companies during the year.

RESOURCES AND RESERVES

SHANGRI-LA MINE

Our Shangri-La Mine is located at Xianggelila City of Yunnan Province, China. The table below summarises key information related to our current mining permit for the Shangri-La Mine.

Holder	Shangri-La Company
Nature of resource	marble
Covered area	approximately 0.1649 square kilometres
Issuance date	March 2018
Expiration date	March 2021
Permitted production volume	50,000 cubic metres per annum

The Yunnan Province Bureau of Land and Resources assessed a mining right fee of RMB0.56 million for a period of every three years.

The table below summarizes the marble resources of Shangri-La Mine estimated as of 31 December 2019 according to Chinese Standards.

RESOURCES	**Millions of cubic metres**
Indicated	2.2
Inferred	0.3
Total	2.5

During the year, the Shangri-La Mine excavated approximately 258 cubic metres of marble blocks (2018: 309 cubic metres). No capital expenditure was incurred in 2019 (2018: Nil).

DEJIANG MINE

Our Dejiang Mine is located at Guan Jia Fen, Dejiang Town of Guizhou Province, China. The table below summarises key information related to our current mining permit for the Dejiang Mine.

Holder	Sanxin Stone
Nature of resource	marble
Covered area	approximately 0.252 square kilometres
Issuance date	1 July 2015
Expiration date	1 January 2019
Permitted production volume	30,000 cubic metres per annum

The Guizhou Province Bureau of Land and Resources assessed a mining right fee of RMB0.55 million for a period of every three and a half year.

The application for further renewal of the mining license of the Dejiang Mine was approved by relevant authorities in 2019 and pending the issue of the renewed mining license.

The following table summarises the marble resources of our Dejiang Mine, estimated as of 31 December 2019 under Chinese Standards.

RESOURCES	**Millions of cubic metres**
Indicated	1.3
Inferred	0.8
Total	2.1

The Group did not have exploration, development and production activities for Dejiang Mine in 2019 (2018: None).

YONGFENG MINE

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

Holder	Jiangxi Jueshi (Yongfeng) Mining Co., Ltd.
Nature of resource	marble
Covered area	approximately 2.0 square kilometres
Issuance date	5 February 2018
Expiration date	5 June 2020
Permitted production volume	250,000 cubic metres per annum

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB55.8 million for a period of 30 years. The mining right fee was fully paid in 2019. We obtained a mining permit in 2013 with an initial term of five years from 5 February 2013 to 5 February 2018 and was further extended to 5 June 2020. The term of our mining permit can be extended up to 30 years from date of issue of the first mining permit on 5 February 2013 according to applicable PRC laws and regulations.

YONGFENG MINE (Continued)

The following table summarises the marble resources and reserves of our Yongfeng Mine, estimated as of 31 December 2019 under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

RESOURCES	**Millions of cubic metres**
Measured	51.2
Indicated	46.6
Inferred	8.8
Total	106.6

RESOURCES	**Millions of cubic metres**
Proved	23.0
Probable	21.0
Total	44.0

The estimated resources and reserves of the Yongfeng Mine as of 31 December 2019 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 normal and routine mining activities carried out during the period from 1 October 2013 to 31 December 2019 and had been substantiated by Mr. NIE Zhiqiang, the vice president of Jueshi Mining, our wholly-owned subsidiary, who has had over 24 years of experience in mining production (including exploration and extraction process). For details of the biographical information of Mr. NIE Zhiqiang, please refer to the prospectus of the Company dated 16 December 2013 (the "Prospectus").

The estimated resources and reserves of Yongfeng Mine as of both 30 September 2013 (as disclosed in the Prospectus) and 31 December 2019 (as disclosed in this annual report) were based on the resources and reserves under the JORC Code, i.e. there was no change in the reporting standard used in arriving at these estimates on the respective dates. The methods used to estimate mineral resources and the parameters used for the estimated resources and reserves of the Company as of 30 September 2013 and 31 December 2019 were identical.

The Group did not have exploration, development and production activities for Yongfeng Mine in 2019 (2018: 6,588). No capital expenditure was incurred in 2019 (2018: Nil).

ZHANGXI MINE

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

Holder	Ji'an Mining
Nature of resource	marble
Covered area	approximately 0.7 square kilometres
Issuance date	23 July 2015
Expiration date	23 July 2018
Permitted production volume	20,000 cubic metres per annum

Yongfeng County Natural Resources Bureau (the "Yongfeng Bureau") has agreed to expand the existing mining area of the Zhangxi Mine which is also under Yongfeng Bureau's administration. The Group is in the process of applying for renewal of the mining license of the Zhangxi Mine with the expanded mining area and increased marble resources with the Yongfeng Bureau. As it has been indicated by the Yongfeng Bureau for the above arrangement, the Group consider the renewal of mining license will be approved and granted upon satisfaction of the other administrative and basic requirements. The Group has engaged a geological exploration service provider to perform a detailed geological exploration on the proposed expanded site. The Group keeps monitoring the progress in respect of the renewal and consider that there is no material barrier for the Group to renew such mining license.

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

The table below summarises the marble resources of the existing site of Zhangxi Mine estimated as of 31 December 2019 according to Chinese Standards.

RESOURCES	**Millions of cubic metres**
Measured	7.1
Indicated	18.4
Inferred	4.2
Total	29.7

The Group did not have exploration, development and production activities for Zhangxi Mine in 2019 (2018: None).

LICHUAN MINE

The Lichuan Mine is located at Shaxi County, Lichuan, Hubei Province, the PRC. The table below summarises key information related to the current mining permit for the Lichuan Mine.

Holder	Lichuan Mining
Nature of resource	marble
Covered area	approximately 1.5 square kilometres
Issuance date	22 August 2018
Expiration date	22 August 2023
Permitted production volume	13,000 tons per annum

The Hubei Province Bureau of Land and Resources assessed a mining right fee of RMB0.166 million for a period of five years.

The table below summarizes the marble resources of Lichuan Mine estimated as of 31 December 2019 according to Chinese Standards.

RESOURCES	**Millions of cubic metres**
Indicated	3.88
Inferred	0.67
Total	4.55

The Group did not have exploration, development and production activities for Lichuan Mine in 2019 (2018: None).

OTHER INFORMATION

SHARE CAPITAL

The total amount of authorised share capital of the Company is HK$50,000,000 divided into 5,000,000,000 ordinary shares of HK$0.01 each, with 3,156,827,729 ordinary shares in issue as at 31 December 2019.

During the year, the Company issued 346,536,178 shares as consideration for the acquisition of subsidiaries and 58,250,000 share options were exercised.

On 20 June 2019, 23 August 2019 and 29 August 2019, the Group allotted and issued an aggregate of 119,248,035, 63,131,313 and 164,156,830 new ordinary shares of the Company as the consideration for the acquisitions of the entire interests in Genpex, Kalong Holdings, and Good Benefit respectively. RMB3,101,000 was credited to the share capital account of the Company. Particulars of the above are set out in the Company's announcement dated 20 June 2019, 23 August 2019 and 29 August 2019, respectively.

The subscription rights attaching to 58,250,000 share options were exercised at the subscription price of HK$0.399 per share, resulting in the issue of 58,250,000 shares for a total cash consideration, before expenses of RMB20,904,000. An amount of RMB523,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

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.

EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") had significant impact on the business operation in the PRC. As the Group's business operations are located in different provinces in PRC including Hubei Province where COVID-19 was firstly detected, there were disruptions to the Group's operations during the period when emergency public health measures and various actions were in place to prevent the spread of the COVID-19, including the restriction on the workplace and homeplace quarantine when employees returned to work from their home towns. Given that COVID-19 was subsequently striking other countries of the world which led to huge turmoil to the world economy, there might be impact to the Group as well. With such dynamic nature of COVID-19, it is not practicable to provide a reasonable estimate over the financial impact on the Group at the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

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 2019.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2019 (2018: Nil).

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") which, during the year, comprised three independent non-executive Directors, namely, Ms. LUNG Yuet Kwan (as chairman), Ms. ZHANG Xiaohan and Mr. HUI Yat On pursuant to the requirements under Rule 3.21 of the Listing Rules. As set out in the Company's announcement dated 21 April 2020, Ms. Zhang Xiaohan tendered her resignation as an independent non-executive Director and hence ceased to be a member of the Audit Committee of even date. As of the date of this announcement, the Company is in the course of identifying suitable candidate(s) to fill the casual vacancies of the position as an independent non-executive Director and, among others, a member of the Audit Committee.

The Audit Committee (comprises Ms. Lung Yuet Kwan (as chairman) and Mr. Hui Yat On) 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 audited results announcement as well as the audited annual results for the year ended 31 December 2019.

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 2019, 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.

From 1 December 2016, Mr. GU Weiwen has been re-designated and appointed as vice chairman of the Board, and Ms. WU Jing has been appointed as the Acting Chief Executive Officer (details are set out in the Company's announcement dated 1 December 2016). Upon the appointment of Ms. Wu as the Acting Chief Executive Officer, Ms. Wu assumes both the roles as the Chairman and the chief executive officer of the Company in deviation from code provision A.2.1 of the CG Code. Despite so, in view of the present rapid development of the Group and further expansion of its downstream business, the Board needs the experience of Mr. Gu in doing his Vice Chairman work and the Board believes that Mr. Gu and Ms. Wu's extensive experience and knowledge, together with the support of the management shall strengthen the solid and consistent leadership and thereby vesting the roles of both Chairman and the Acting Chief Executive Officer in Ms. Wu allows efficient business planning and decision which is in the best interest of the business development of the Group.

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

AUDITORS

Ernst & Young was appointed as the Company's auditor for the year ended 31 December 2019.

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company's auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute audits, reviews and other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this results announcement.

PUBLICATION OF AUDITED RESULTS ANNOUNCEMENT AND 2019 ANNUAL REPORT

This audited results 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 2019 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
ArtGo Holdings Limited
Wu Jing
Chairman and Executive Director

Hong Kong, 29 April 2020

As at the date of this announcement, the executive Directors are Mr. Gu Weiwen, Mr. Zhang Jian and Ms. Wu Jing; the non-executive Director is Mr. Gu Zengcai; and the independent non-executive Directors are Ms. Lung Yuet Kwan and Mr. Hui Yat On.