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## **ARTGO HOLDINGS LIMITED**

**雅高控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3313)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020**

#### **RESULTS HIGHLIGHTS**

- The revenue from continuing operations of the Group for the six months ended 30 June 2020 amounted to approximately RMB43.4 million (2019: approximately RMB47.9 million), representing a decrease of 9.4% or approximately RMB4.5 million. The revenue from a discontinued operation amounted to approximately RMB1.6 million (2019: approximately RMB0.04 million), representing an increase of approximately RMB1.56 million.
- The loss before tax from continuing operations of the Group for the six months ended 30 June 2020 amounted to approximately RMB91.7 million (2019: approximately RMB26.7 million), representing an increase in loss of approximately RMB65 million. The loss before tax from a discontinued operation amounted to approximately RMB0.9 million (2019: approximately RMB2.3 million).
- The Group's net loss from continuing operations for the six months ended 30 June 2020 amounted to approximately RMB91.7 million (2019: approximately RMB26.9 million). The net loss from a discontinued operation amounted to approximately RMB0.7 million (2019: net loss approximately RMB2.2 million).
- The basic and diluted loss per share attributable to ordinary equity holders of the Company amounted to RMB 2.89 cent (2019: basic and diluted loss per share of approximately RMB1.04 cent). The basic and diluted loss per share attributable to ordinary equity holders of the Company from continuing operations amounted to RMB 2.87 cent (2019: basic and diluted loss per share of approximately RMB 0.97 cent).

The board (the “**Board**”) of directors (the “**Directors**”) of ArtGo Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces the unaudited interim condensed financial information of the Company for the six months ended 30 June 2020 (“**Review Period**”). The Company’s interim results for the Review Period have been reviewed and approved by the audit committee under the Board (“**Audit Committee**”) and have been approved by the Board on 31 August 2020.

## FINANCIAL INFORMATION

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

*For the six months ended 30 June 2020*

|   |       | For the six months<br>ended 30 June |  |
|---|-------|-------------------------------------|--|
|   | Notes | 2020<br>RMB’000<br>(Unaudited)      | 2019<br>RMB’000<br>(Unaudited)<br>(Re-presented) |
| <b>CONTINUING OPERATIONS</b>                          |       |                                     |  |
| Revenue   | 3     | 43,384                              | 47,910   |
| Cost of sales   |       | (31,238)                            | (27,569)   |
| <b>Gross profit</b>                                   |       | <b>12,146</b>                       | <b>20,341</b>                                    |
| Other income and gains                                | 4     | 5,106                               | 4,659  |
| Selling and distribution expenses                     |       | (3,540)                             | (1,490)  |
| Administrative expenses                               |       | (23,465)                            | (25,545)   |
| Other expenses  |       | (7,514)                             | (1,209)  |
| Impairment loss on investment properties              | 9     | (36,667)                            | –  |
| Impairment loss on trade receivables                  | 12    | (13,388)                            | (1,198)  |
| Finance costs   | 5     | (24,374)                            | (21,857)   |
| Share of losses of associates                         |       | (35)                                | (435)  |
| <b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>     | 6     | <b>(91,731)</b>                     | <b>(26,734)</b>                                  |
| Income tax credit/(expense) expense                   | 7     | 19                                  | (132)  |
| <b>LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS</b> |       | <b>(91,712)</b>                     | <b>(26,866)</b>                                  |
| <b>DISCONTINUED OPERATION</b>                         |       |                                     |  |
| Loss for the period from a discontinued operation     | 17    | (711)                               | (2,161)  |
| <b>LOSS FOR THE PERIOD</b>                            |       | <b>(92,423)</b>                     | <b>(29,027)</b>                                  |

|   |   | <b>For the six months<br/>ended 30 June</b> |                       |
|---|---|---|-----------------------|
|   |   | <b>2020</b>                                 | <b>2019</b>           |
| <i>Note</i>   |   | <b>RMB'000</b>                              | <b>RMB'000</b>        |
|   |   | <b>(Unaudited)</b>                          | <b>(Unaudited)</b>    |
|   |   |   | <b>(Re-presented)</b> |
| <b>LOSS PER SHARE ATTRIBUTABLE TO<br/>ORDINARY EQUITY HOLDERS<br/>OF THE COMPANY:</b> |   |   |                       |
| — Basic and diluted   | 8 |   |                       |
| — For loss for the period   |   | <u><b>(RMB0.0289)</b></u>                   | <u>(RMB0.0104)</u>    |
| — For loss from continuing operations   |   | <u><b>(RMB0.0287)</b></u>                   | <u>(RMB0.0097)</u>    |
| <b>Loss for the period attributable to:</b>   |   |   |                       |
| Owners of the Company   |   | <b>(92,347)</b>                             | (28,798)              |
| Non-controlling interests   |   | <u><b>(76)</b></u>                          | <u>(229)</u>          |
|   |   | <u><b>(92,423)</b></u>                      | <u>(29,027)</u>       |
| <b>Loss for the period</b>  |   | <b>(92,423)</b>                             | (29,027)              |
| <b>Other comprehensive loss</b>   |   |   |                       |
| <i>Items that will not be classified to profit or loss:</i>                           |   |   |                       |
| Exchange difference arising on translation<br>to presentation currency                |   | <u>—</u>                                    | <u>—</u>              |
| <b>Total comprehensive loss for the period</b>  |   | <u><b>(92,423)</b></u>                      | <u>(29,027)</u>       |
| <b>Total comprehensive loss attributable to:</b>                                      |   |   |                       |
| Owners of the Company   |   | <b>(92,347)</b>                             | (28,798)              |
| Non-controlling interests   |   | <u><b>(76)</b></u>                          | <u>(229)</u>          |
|   |   | <u><b>(92,423)</b></u>                      | <u>(29,027)</u>       |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*As at 30 June 2020*

|   |              | <b>30 June<br/>2020</b> | 31 December<br>2019 |
|---|--------------|-------------------------|---------------------|
|   | <i>Notes</i> | <b>RMB'000</b>          | <b>RMB'000</b>      |
|   |              | <b>(Unaudited)</b>      | <b>(Audited)</b>    |
| <b>NON-CURRENT ASSETS</b>                                 |              |                         |                     |
| Property, plant and equipment                             | 9            | <b>349,267</b>          | 338,670             |
| Investment properties                                     | 9            | <b>250,306</b>          | 290,975             |
| Right-of-use assets                                       | 11           | <b>267,457</b>          | 272,557             |
| Intangible assets   | 9            | <b>657,502</b>          | 657,612             |
| Prepayments, other receivables and other assets           | 10           | <b>4,751</b>            | 4,850               |
| Goodwill  |              | <b>2,096</b>            | 2,096               |
| Investments in associates                                 |              | <b>363,104</b>          | 363,139             |
| Payments in advance                                       |              | <b>120,774</b>          | 78,962              |
| Deferred tax assets                                       |              | <b>6,249</b>            | 4,848               |
| Restricted deposits                                       |              | <b>3,526</b>            | 3,721               |
|   |              | <hr/>                   | <hr/>               |
| Total non-current assets                                  |              | <b>2,025,032</b>        | 2,017,430           |
|   |              | <hr/>                   | <hr/>               |
| <b>CURRENT ASSETS</b>                                     |              |                         |                     |
| Inventories   |              | <b>33,921</b>           | 29,164              |
| Trade receivables   | 12           | <b>103,273</b>          | 172,929             |
| Prepayments, other receivables and other assets           | 10           | <b>86,231</b>           | 82,901              |
| Cash and bank balances                                    |              | <b>86,938</b>           | 84,765              |
|   |              | <hr/>                   | <hr/>               |
|   |              | <b>310,363</b>          | 369,759             |
| Assets of a disposal group classified<br>as held for sale | 17           | <b>102,659</b>          | 104,321             |
|   |              | <hr/>                   | <hr/>               |
| Total current assets                                      |              | <b>413,022</b>          | 474,080             |
|   |              | <hr/>                   | <hr/>               |

|  |              | <b>30 June<br/>2020</b>        | 31 December<br>2019          |
|--|--------------|--------------------------------|------------------------------|
|  | <i>Notes</i> | <b>RMB'000<br/>(Unaudited)</b> | <b>RMB'000<br/>(Audited)</b> |
| <b>CURRENT LIABILITIES</b>   |              |                                |                              |
| Trade payables   | 13           | <b>38,106</b>                  | 57,670                       |
| Contract liabilities   |              | <b>3,359</b>                   | 4,223                        |
| Other payables and accruals  | 14           | <b>74,630</b>                  | 79,380                       |
| Tax payables   |              | <b>37,862</b>                  | 23,297                       |
| Lease liabilities  |              | <b>3,526</b>                   | 3,110                        |
| Interest-bearing bank and other borrowings                                     | 15           | <b>186,013</b>                 | 211,575                      |
|  |              | <b>343,496</b>                 | 379,255                      |
| Liabilities directly associated with the assets<br>classified as held for sale | 17           | <b>10,589</b>                  | 11,539                       |
| Total current liabilities  |              | <b>354,085</b>                 | 390,794                      |
| <b>NET CURRENT ASSETS</b>  |              | <b>58,937</b>                  | 83,286                       |
| <b>TOTAL ASSETS LESS<br/>CURRENT LIABILITIES</b>                               |              | <b>2,083,969</b>               | 2,100,716                    |
| <b>NON-CURRENT LIABILITIES</b>   |              |                                |                              |
| Interest-bearing bank and other borrowings                                     | 15           | <b>322,193</b>                 | 266,247                      |
| Deferred tax liabilities   |              | <b>4,143</b>                   | 2,895                        |
| Deferred income  | 16           | <b>8,294</b>                   | 4,850                        |
| Lease liabilities  |              | <b>1,245</b>                   | 3,436                        |
| Provision for rehabilitation   |              | <b>16,664</b>                  | 16,140                       |
| Total non-current liabilities  |              | <b>352,539</b>                 | 293,568                      |
| Net assets   |              | <b>1,731,430</b>               | 1,807,148                    |
| <b>EQUITY</b>  |              |                                |                              |
| Equity attributable to owners of the Company                                   |              |                                |                              |
| Issued capital   |              | <b>28,249</b>                  | 26,392                       |
| Reserves   |              | <b>1,609,760</b>               | 1,687,257                    |
|  |              | <b>1,638,009</b>               | 1,713,649                    |
| Non-controlling interests  |              | <b>93,421</b>                  | 93,499                       |
| Total equity   |              | <b>1,731,430</b>               | 1,807,148                    |

## NOTES:

### 1. CORPORATE INFORMATION

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

During the Review Period, the Group was principally engaged in the business of mining, processing, trading and sale of marble stones, calcium carbonate products, the trading of commodities and cargo handling, warehousing and logistics services.

### 2.1 BASIS OF PREPARATION

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

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

### 2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

In preparing this interim condensed financial information, the Group adopted the following new or revised standards, amendments and interpretations which are effective as of 1 January 2020 and relevant to the operations of the Group:

|  |  |
|--|--|
| Amendments to IFRS 3                       | <i>Definition of a Business</i>                          |
| Amendments to IFRS 9,<br>IAS 39 and IFRS 7 | <i>Interest Rate Benchmark Reform</i>                    |
| Amendments to IAS 1 and<br>IAS 8           | <i>Definition of Material</i>                            |
| Amendments to IFRS 16                      | <i>Covid-19-Related Rent Concessions (early adopted)</i> |

The adoption of new or revised standards, amendments and interpretations does not have a material impact to the Group's results of operations or financial position.

### 3. REVENUE AND OPERATING SEGMENT INFORMATION

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

The Group's revenue and contribution to consolidated results are mainly derived from its sale of marble and marble related products and calcium carbonate products, commodity trading and logistics services which is consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment.

#### Entity-wide disclosures

##### *Information about products*

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

|                            | For the six months ended 30 June |                   |                      |                   |
|----------------------------|----------------------------------|-------------------|----------------------|-------------------|
|                            | 2020                             |                   | 2019                 |                   |
|                            | <i>RMB'000</i>                   | <i>%</i>          | <i>RMB'000</i>       | <i>%</i>          |
|                            | (Unaudited)                      |                   | (Unaudited)          |                   |
| Continuing operations      |                                  |                   |                      |                   |
| Marble blocks              | 1,748                            | 3.9               | 21,047               | 43.9              |
| One-side-polished slabs    | 25,122                           | 55.8              | 24,303               | 50.7              |
| Cut-to-size slabs          | –                                | –                 | 2,560                | 5.3               |
| Calcium carbonate products | 16,514                           | 36.7              | –                    | –                 |
| Commodity trading          | –                                | –                 | –                    | –                 |
|                            | <u>43,384</u>                    | <u>96.4</u>       | <u>47,910</u>        | <u>99.9</u>       |
| Discontinued operation     |                                  |                   |                      |                   |
| Logistics services         | <u>1,598</u>                     | <u>3.6</u>        | <u>39</u>            | <u>0.1</u>        |
|                            | <u><u>44,982</u></u>             | <u><u>100</u></u> | <u><u>47,949</u></u> | <u><u>100</u></u> |

##### *Operating Segment Information*

|  | For the six months ended 30 June 2020 |                   |                        |
|--|---------------------------------------|-------------------|------------------------|
|  | Marble products                       | Commodity trading | Total                  |
|  | <i>RMB'000</i>                        | <i>RMB'000</i>    | <i>RMB'000</i>         |
|  | (Unaudited)                           | (Unaudited)       | (Unaudited)            |
| SEGMENT REVENUE  | 43,384                                | –                 | 43,384                 |
| <b>Segment results</b>                                   | <b>(17,368)</b>                       | <b>–</b>          | <b>(17,368)</b>        |
| <i>Reconciliation:</i>                                   |                                       |                   |                        |
| Interest income  |                                       |                   | 378                    |
| Foreign currency loss, net                               |                                       |                   | (704)                  |
| Finance costs (other than interest on lease liabilities) |                                       |                   | (24,200)               |
| Corporate and other unallocated expenses                 |                                       |                   | <u>(49,837)</u>        |
| Loss before tax from continuing operations               |                                       |                   | <u><u>(91,731)</u></u> |

|  | For the six months ended 30 June 2019               |   |  |
|--|---|---|--|
|  | Marble<br>products<br><i>RMB'000</i><br>(Unaudited) | Commodity<br>trading<br><i>RMB'000</i><br>(Unaudited) | Total<br><i>RMB'000</i><br>(Unaudited) |
| SEGMENT REVENUE  | 47,910  | –   | 47,910                                 |
| <b>Segment results</b>                                   | (4,298)   | –   | (4,298)                                |
| <i>Reconciliation:</i>                                   |   |   |  |
| Interest income  |   |   | 189                                    |
| Foreign currency loss, net                               |   |   | (176)                                  |
| Finance costs (other than interest on lease liabilities) |   |   | (21,813)                               |
| Corporate and other unallocated expenses                 |   |   | (636)                                  |
| Loss before tax from continuing operation                |   |   | (26,734)                               |

*Geographical information*

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

|                | For the six months<br>ended 30 June   |                                       |
|----------------|---------------------------------------|---------------------------------------|
|                | 2020<br><i>RMB'000</i><br>(Unaudited) | 2019<br><i>RMB'000</i><br>(Unaudited) |
| Domestic*:     |                                       |                                       |
| Mainland China | 43,384                                | 47,910                                |
| Overseas       | –                                     | –                                     |
|                | <u>43,384</u>                         | <u>47,910</u>                         |

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

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



## Information about major customers

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

|            | For the six months<br>ended 30 June |                   |
|------------|-------------------------------------|-------------------|
|            | 2020                                | 2019              |
|            | <i>RMB'000</i>                      | <i>RMB'000</i>    |
|            | (Unaudited)                         | (Unaudited)       |
| Customer A | 13,189                              | –                 |
| Customer B | 4,307                               | –                 |
| Customer C | 8,483                               | 12,765            |
| Customer D | –                                   | 9,842             |
| Customer E | –                                   | 8,399             |
|            | <u>          </u>                   | <u>          </u> |

## 4. OTHER INCOME AND GAINS

|  | For the six months<br>ended 30 June |                   |
|--|-------------------------------------|-------------------|
|  | 2020                                | 2019              |
|  | <i>RMB'000</i>                      | <i>RMB'000</i>    |
|  | (Unaudited)                         | (Unaudited)       |
| Bank interest income                       | 378                                 | 189               |
| Government subsidy                         | 1,330                               | 646               |
| Rental income                              | 3,291                               | 3,819             |
| Deferred income released to profit or loss | 105                                 | –                 |
| Miscellaneous                              | 2                                   | 5                 |
|  | <u>          </u>                   | <u>          </u> |
|  | <u>5,106</u>                        | <u>4,659</u>      |

## 5. FINANCE COSTS

|   | For the six months<br>ended 30 June |                   |
|---|-------------------------------------|-------------------|
|   | 2020                                | 2019              |
|   | <i>RMB'000</i>                      | <i>RMB'000</i>    |
|   | (Unaudited)                         | (Unaudited)       |
| Interest on bank loans                  | 9,970                               | 8,400             |
| Unwinding of discount on rehabilitation | 524                                 | 492               |
| Interest on other borrowings            | 13,706                              | 12,921            |
| Interest on lease liabilities           | 174                                 | 44                |
|   | <u>          </u>                   | <u>          </u> |
|   | <u>24,374</u>                       | <u>21,857</u>     |

## 6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

|   | For the six months<br>ended 30 June |             |
|---|-------------------------------------|-------------|
|   | 2020                                | 2019        |
|   | RMB'000                             | RMB'000     |
|   | (Unaudited)                         | (Unaudited) |
| Cost of inventories sold  | 31,238                              | 27,569      |
| Employee benefit expense (including directors' and<br>chief executive's remuneration) |                                     |             |
| — Salary, wages and other benefits  | 7,122                               | 7,040       |
| Depreciation of property, plant and equipment (note 9)                                | 3,948                               | 3,949       |
| Depreciation of investment properties (note 9)  | 4,002                               | 958         |
| Amortisation of intangible assets (note 9)  | 110                                 | 105         |
| Depreciation of right-of-use assets (note 11)   | 5,710                               | 4,528       |
| Lease payments not included in the measurement of lease liabilities                   | 1,947                               | 3,373       |
| Impairment losses recognised in investment properties (note 9)                        | 36,667                              | —           |
| Impairment losses recognised in trade receivables (note 12)                           | 13,388                              | 1,108       |
| Auditor's remuneration  | —                                   | —           |
| Foreign exchange losses, net  | 704                                 | 176         |
| Bank interest income (note 4)   | (378)                               | (189)       |
| Rental income (note 4)  | (3,291)                             | (3,819)     |

## 7. INCOME TAX

|   | For the six months<br>ended 30 June |             |
|---|-------------------------------------|-------------|
|   | 2020                                | 2019        |
|   | RMB'000                             | RMB'000     |
|   | (Unaudited)                         | (Unaudited) |
| Current — Mainland China                        |                                     |             |
| Charged for period                              | 112                                 | 132         |
| Deferred  | (131)                               | —           |
| Total tax (credit)/charge for the Review Period | (19)                                | 132         |

Notes:

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

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

The calculation of loss per share is based on the loss attributable to owners of the Company for the Review Period of RMB92,346,671 (six months ended 30 June 2019: loss of RMB28,797,946) and the weighted average number of ordinary shares of 3,196,033,498 (six months ended 30 June 2019: 2,759,288,669) in issue during the Review Period.

The computations of diluted loss per share for both the Review Period and the six months ended 30 June 2019 do not assume the exercise of the Company's share options as they would reduce loss per share.

## 9. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

Movements in property, plant and equipment, investment properties and intangible assets during the Review Period are as follows:

|   | <b>Property,<br/>plant and<br/>equipment<br/>RMB'000<br/>(Note a)</b> | <b>Investment<br/>properties<br/>RMB'000<br/>(Note b)</b> | <b>Intangible<br/>assets<br/>RMB'000<br/>(Note c)</b> |
|---|---|---|---|
| Carrying amount at 1 January 2020 (Audited)                         | <b>338,670</b>  | <b>290,975</b>  | <b>657,612</b>  |
| Additions — continuing operations                                   | <b>19,889</b>   | —   | —   |
| Additions — discontinued operation                                  | <b>36</b>   | —   | —   |
| Written off — continuing operations                                 | <b>(4,286)</b>  | —   | —   |
| Depreciation/amortization charged for<br>the Review Period (note 6) |   |   |   |
| — continuing operations   | <b>(3,948)</b>  | <b>(4,002)</b>  | <b>(110)</b>  |
| — discontinued operation  | <b>(1,094)</b>  | —   | —   |
| Impairment loss — continuing operations (note 6)                    | —   | <b>(36,667)</b>   | —   |
| Carrying amount at 30 June 2020 (Unaudited)                         | <b><u>349,267</u></b>   | <b><u>250,306</u></b>                                     | <b><u>657,502</u></b>                                 |

Notes:

- (a) At 30 June 2020, the property, plant and equipment with an aggregate carrying amount of approximately RMB34,552,000 (31 December 2019: RMB35,575,000) were pledged to secure the other borrowings of RMB220,000,000 mentioned in note 15.
- (b) At 30 June 2020, the Group's investment properties with a total carrying amount of RMB166,161,000 (31 December 2019: RMB204,775,000) were pledged to secure certain other borrowings granted to the Group as mentioned in note 15.
- (c) At 30 June 2020, certain of the intangible assets of the Group, with an aggregate carrying amount of RMB282,093,000 (31 December 2019: RMB282,093,000) were pledged to banks to secure certain of the bank loans granted to the Group as mentioned in note 15.

## 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|  | <b>30 June<br/>2020</b> | 31 December<br>2019 |
|--|-------------------------|---------------------|
| <i>Note</i>  | <b>RMB'000</b>          | <b>RMB'000</b>      |
|  | <b>(Unaudited)</b>      | <b>(Audited)</b>    |
| <i>Current portion:</i>                                |                         |                     |
| Prepayments in respect of:                             |                         |                     |
| — Processing fee                                       | 4,671                   | 2,296               |
| — Purchase of materials and supplies                   | 19,371                  | 1,106               |
| — Purchase of industrial goods                         | 40,197                  | 19,458              |
| — Warehouse rental                                     | 1,279                   | 1,580               |
| — Machines rental                                      | 1,453                   | —                   |
| — Service fee  | 2,061                   | 1,839               |
| Deposits   | 3,767                   | 4,092               |
| Deductible input value-added tax                       | 2,892                   | 3,035               |
| Consideration receivables for disposal of subsidiaries | —                       | 36,593              |
| Performance security                                   | 3,000                   | 3,000               |
| Receivables under an operating lease                   | 2,432                   | 12,296              |
| Other receivables                                      | 8,316                   | 814                 |
|  | <b>89,439</b>           | 86,109              |
| Impairment allowance                                   | <b>(3,208)</b>          | <b>(3,208)</b>      |
|  | <b>86,231</b>           | 82,901              |
| <i>Non-current portion:</i>                            |                         |                     |
| Prepayments in respect of                              |                         |                     |
| — Cultivated land used compensation                    | (a) 4,751               | 4,850               |
|  | <b>4,751</b>            | 4,850               |

*Note:*

- (a) 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.

## 11. RIGHT-OF-USE ASSETS

|   | <b>Prepaid<br/>land lease<br/>payment<br/>RMB'000</b> | <b>Office<br/>premises<br/>RMB'000</b> | <b>Parcels<br/>of land<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|---|---|--|--|--------------------------|
| At 1 January 2020 (Audited)                             | 258,623   | 5,714                                  | 8,220                                  | 272,557                  |
| New leases  | —   | 610                                    | —                                      | 610                      |
| Depreciation charge from continuing operations (note 6) | (3,589)   | (500)                                  | (1,621)                                | (5,710)                  |
| At 30 June 2020 (Unaudited)                             | <b>255,034</b>  | <b>5,824</b>                           | <b>6,599</b>                           | <b>267,457</b>           |

*Note:*

- (a) At 30 June 2020, prepaid land lease payment/right-of-use assets of the Group with an aggregate carrying amount of RMB255,662,000 (31 December 2019: RMB259,858,000) were pledged to banks to secure certain of the bank loans granted to the Group as mentioned in note 15.

## 12. TRADE RECEIVABLES

|                   | <b>30 June<br/>2020<br/>RMB'000<br/>(Unaudited)</b> | <b>31 December<br/>2019<br/>RMB'000<br/>(Audited)</b> |
|-------------------|---|---|
| Trade receivables | <b>150,305</b>                                      | 206,573   |
| Impairment        | <b>(47,032)</b>                                     | (33,644)  |
|                   | <b><u>103,273</u></b>                               | <b><u>172,929</u></b>                                 |

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 does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 30 June 2020 and 31 December 2019, based on the delivery date and net of provision, is as follows:

|                | <b>30 June<br/>2020<br/>RMB'000<br/>(Unaudited)</b> | <b>31 December<br/>2019<br/>RMB'000<br/>(Audited)</b> |
|----------------|---|---|
| Within 1 month | <b>20,031</b>                                       | 73,624  |
| 1 to 3 months  | <b>6,752</b>  | 36,716  |
| 3 to 6 months  | <b>6,558</b>  | 5,681   |
| 6 to 12 months | <b>69,932</b>                                       | 56,908  |
|                | <b><u>103,273</u></b>                               | <b><u>172,929</u></b>                                 |

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

|  | <b>30 June<br/>2020<br/>RMB'000<br/>(Unaudited)</b> | <b>31 December<br/>2019<br/>RMB'000<br/>(Audited)</b> |
|--|---|---|
| At the beginning of the period/year    | <b>33,644</b>                                       | 26,919  |
| Impairment loss, net ( <i>note 6</i> ) | <b>13,388</b>                                       | 6,725   |
|  | <b><u>47,032</u></b>                                | <b><u>33,644</u></b>                                  |

### 13. TRADE PAYABLES

|                | <b>30 June<br/>2020<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2019<br>RMB'000<br>(Audited) |
|----------------|---|---|
| Trade payables | <b>38,106</b>                                       | 57,670                                      |

An ageing analysis of the trade payable as at 30 June 2020 and 31 December 2019, based on the invoice date or issue date, where appropriate, is as follows:

|                | <b>30 June<br/>2020<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2019<br>RMB'000<br>(Audited) |
|----------------|---|---|
| Within 1 month | <b>837</b>  | 4,178                                       |
| 1 to 2 months  | <b>7,350</b>  | 6,866                                       |
| 2 to 3 months  | <b>1,042</b>  | 1,277                                       |
| Over 3 months  | <b>28,877</b>                                       | 45,349                                      |
|                | <b>38,106</b>                                       | 57,670                                      |

The trade payables are non-interest-bearing and are normally settled within three months after the Company obtained the invoices issued by suppliers.

### 14. OTHER PAYABLES AND ACCRUALS

|   | <b>30 June<br/>2020<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2019<br>RMB'000<br>(Audited) |
|---|---|---|
| <i>Current portion:</i>                   |   |   |
| Payables relating to:                     |   |   |
| Taxes other than income tax               | <b>18,999</b>                                       | 27,041                                      |
| Professional fees                         | <b>4,096</b>  | 10,772                                      |
| Payroll and welfare                       | <b>8,159</b>  | 6,281                                       |
| Purchase of property, plant and equipment | <b>4,322</b>  | 5,148                                       |
| Mineral resources compensation fees       | <b>4,480</b>  | 4,480                                       |
| Security deposit                          | <b>3,000</b>  | 1,886                                       |
| Distributors' earnest money               | <b>1,865</b>  | 1,745                                       |
| Rental fees                               | <b>2,465</b>  | 808   |
| Employee reimbursement                    | <b>246</b>  | 667   |
| Advertisement fees                        | <b>191</b>  | 191   |
| Interest payables relating to:            |   |   |
| Bank loans                                | <b>21,469</b>                                       | 12,518                                      |
| Purchase of mining rights                 | <b>3,707</b>  | 3,707                                       |
| Others                                    | <b>1,631</b>  | 4,136                                       |
|   | <b>74,630</b>                                       | 79,380                                      |

# 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

|   |       | 30 June<br>2020<br>RMB'000<br>(Unaudited) | 31 December<br>2019<br>RMB'000<br>(Audited) |
|---|-------|---|---|
|   | Notes |   |   |
| Bank loans:                               |       |   |   |
| Secured and guaranteed                    | (a)   | 167,276                                   | 167,276                                     |
| Secured                                   | (a)   | 14,140                                    | 14,240                                      |
| Guaranteed                                | (b)   | 37,562                                    | 41,856                                      |
|   |       | <u>218,978</u>                            | <u>223,372</u>                              |
| Effective interest rate per annum (%)     |       | <u>5.66–12.00</u>                         | <u>5.66–12.00</u>                           |
| Other borrowings:                         |       |   |   |
| Secured and guaranteed                    | (a)   | 182,150                                   | 200,000                                     |
| Unsecured                                 | (c)   | 107,078                                   | 54,450                                      |
|   |       | <u>289,228</u>                            | <u>254,450</u>                              |
| Effective interest rate per annum (%)     |       | <u>5.00–21.60</u>                         | <u>5.00–27.00</u>                           |
| Analysed into:                            |       |   |   |
| Bank loans repayable:                     |       |   |   |
| Within one year                           |       | 40,013                                    | 23,240                                      |
| In the second year                        |       | 171,464                                   | 200,132                                     |
|   |       | <u>211,477</u>                            | <u>223,372</u>                              |
| Other borrowings repayable:               |       |   |   |
| Within one year                           |       | 146,000                                   | 188,335                                     |
| In the second year                        |       | 143,179                                   | 58,665                                      |
| In the third to fifth years, inclusive    |       | 7,550                                     | 7,450                                       |
|   |       | <u>296,729</u>                            | <u>254,450</u>                              |
| Total bank and other borrowings           |       | 508,206                                   | 477,822                                     |
| Portion classified as current liabilities |       | <u>(186,013)</u>                          | <u>(211,575)</u>                            |
| Non-current portion                       |       | <u>322,193</u>                            | <u>266,247</u>                              |

- (a) The Group's bank loans and other borrowings of approximately RMB363,566,000 as at 30 June 2020 (31 December 2019: RMB381,516,000) were secured by certain assets with net carrying values as follows:

|  |              | <b>30 June<br/>2020</b> | 31 December<br>2019 |
|--|--------------|-------------------------|---------------------|
|  | <i>Notes</i> | <b>RMB'000</b>          | <b>RMB'000</b>      |
|  |              | <b>(Unaudited)</b>      | <b>(Audited)</b>    |
| <i>Secured by:</i>                             |              |                         |                     |
| Property, plant and equipment                  | 9            | <b>34,552</b>           | 35,575              |
| Investment properties                          | 9            | <b>166,161</b>          | 204,775             |
| Prepaid land lease payments                    | 11           | <b>255,662</b>          | 259,858             |
| Mining rights of Zhangxi Mine and Lichuan Mine | 9            | <b>282,093</b>          | 282,093             |
| Investment in an associate                     |              | <b>279,789</b>          | 279,814             |
|  |              | <b>1,018,257</b>        | 1,062,115           |

The Group's secured bank and other borrowings of approximately RMB349,426,000 as at 30 June 2020 (31 December 2019: RMB367,276,000) were also 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 30 June 2020 (31 December 2019: RMB9,188,000) were guaranteed by two 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 RMB18,374,000 as at 30 June 2020 (31 December 2019: RMB22,668,000) were guaranteed by the Director, Mr. Gu Weiwen, and management members, Mr. Jiang Shikui and Ms. Chen Jianping. Bank loans of RMB10,000,000 (31 December 2019: RMB10,000,000) were guaranteed by Yongfeng Country Industrial Park Management Committee at nil consideration.

- (c) The Group's other borrowings of approximately RMB107,078,000 as at 30 June 2020 (31 December 2019: RMB54,450,000) were borrowed from several independent third party individuals and bore interest at fixed rates ranging from 5% to 21.6% (31 December 2019: 5% to 27%) per annum.

## 16. DEFERRED INCOME

|                             | <b>RMB'000</b> |
|-----------------------------|----------------|
| Government grant            |                |
| At 1 January 2020 (Audited) | <b>4,850</b>   |
| Additions during the period | <b>3,549</b>   |
| Released to profit or loss  | <b>(105)</b>   |
| At 30 June 2020 (Unaudited) | <b>8,294</b>   |



## 17. DISCONTINUED OPERATION

The Disposal Group is mainly engaged in warehousing and logistics. Pursuant to the investment committee resolution dated 12 December 2019, the Group has decided to dispose of the Disposal Group because it plans to focus its resources on its mining operations. Management has been in active discussions with the potential buyers for the proposed sale since December 2019. Since 31 December 2019, final negotiation for the sale were 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 are no longer included for operating segment information.

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

|   | <b>For the six months<br/>ended 30 June</b> |                    |
|---|---|--------------------|
|   | <b>2020</b>                                 | <b>2019</b>        |
|   | <b>RMB'000</b>                              | <b>RMB'000</b>     |
|   | <b>(Unaudited)</b>                          | <b>(Unaudited)</b> |
| Revenue   | <b>1,598</b>                                | 39                 |
| Cost of sales                                     | <b>(1,758)</b>                              | (1,593)            |
| Gross loss  | <b>(160)</b>                                | (1,554)            |
| Administrative expenses                           | <b>(682)</b>                                | (718)              |
| Other expenses                                    | <b>(18)</b>                                 | (36)               |
| Loss before tax from a discontinued operation     | <b>(860)</b>                                | (2,308)            |
| Income tax credit                                 | <b>149</b>                                  | 147                |
| Loss for the period from a discontinued operation | <b>(711)</b>                                | (2,161)            |

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 30 June 2020 are as follows:

|   | <b>2020</b>        | <b>2019</b>        |
|---|--------------------|--------------------|
|   | <b>RMB'000</b>     | <b>RMB'000</b>     |
|   | <b>(Unaudited)</b> | <b>(Audited)</b>   |
| <b>Assets</b>   |                    |                    |
| Right-of-use assets   | <b>60,698</b>      | 61,403             |
| Property, plant and equipment   | <b>41,028</b>      | 42,213             |
| Prepayments, other receivables and other assets                             | <b>527</b>         | 505                |
| Trade receivables   | <b>406</b>         | 177                |
| Cash and bank balances  | <b>–</b>           | 23                 |
| Assets classified as held for sale  | <b>102,659</b>     | 104,321            |
| <b>Liabilities</b>  |                    |                    |
| Deferred tax liabilities  | <b>(9,246)</b>     | (9,395)            |
| Other payables and accruals   | <b>(1,297)</b>     | (1,863)            |
| Contract liabilities  | <b>–</b>           | (235)              |
| Trade payables  | <b>(46)</b>        | (46)               |
| Liabilities directly associated with the assets classified as held for sale | <b>(10,589)</b>    | (11,539)           |
| Net assets directly associated with the Disposal Group                      | <b>92,070</b>      | 92,782             |
|   | <b>30 June</b>     | <b>30 June</b>     |
|   | <b>2020</b>        | <b>2019</b>        |
|   | <b>(Unaudited)</b> | <b>(Unaudited)</b> |
| Loss per share:   |                    |                    |
| — Basic and diluted from a discontinued operation                           | <b>RMB(0.0002)</b> | <b>RMB(0.0008)</b> |

The calculations of basic and diluted loss per share from the discontinued operation are based on:

|  | <b>2020</b><br><b>(Unaudited)</b> | 2019<br>(Unaudited)  |
|--|-----------------------------------|----------------------|
| Loss attributable to ordinary equity holders of the parent from the discontinued operation                     | <b>RMB(711,000)</b>               | RMB(2,161,000)       |
| Weighted average number of ordinary shares in issue during the period used in the basic loss ( <i>note 8</i> ) | <b><u>3,196,033,498</u></b>       | <u>2,759,288,669</u> |

## 18. SHARE OPTION SCHEMES

On 9 December 2013, the Share Option Scheme was conditionally adopted by the Company and came into effect on 30 December 2013. The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the Group.

The following share options were outstanding during the Review Period:

|                           | <i>Notes</i> | <b>Weighted<br/>average<br/>exercise price<br/>HK\$ per share</b> | <b>Number<br/>of options</b> |
|---------------------------|--------------|---|------------------------------|
| As at 1 January 2020      | <i>(a)</i>   | 0.555   | 260,383,400                  |
| Expired during the period | <i>(b)</i>   | 0.854   | <u>(89,333,400)</u>          |
| As at 30 June 2020        |              | <b><u>0.399</u></b>   | <u>171,050,000</u>           |

*Notes:*

- (a) On 4 January and 30 October 2018, options to subscribe for a total of 133,333,400 and 229,300,000 shares with a nominal value of HK\$0.01 each in the share capital of the Company were granted under the Share Option Scheme at exercise prices of HK\$0.854 and HK\$0.399, respectively.
- (b) During the six months ended 30 June 2020, 89,333,400 share options expired without being exercised, which were granted on 4 January 2018 at an exercise price of HK\$0.854 per share.

## 19. DIVIDENDS

At a meeting of the Board held on 31 August 2020, the Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## 20. COMMITMENTS

The Group had the following capital commitments at the end of the Review Period:

|  | <b>30 June<br/>2020</b><br><b>RMB'000</b><br><b>(Unaudited)</b> | 31 December<br>2019<br><b>RMB'000</b><br>(Audited) |
|--|---|--|
| Contracted, but not provided for:<br>— Plant and equipment | <u><b>78,455</b></u>  | <u>95,938</u>                                      |
|  | <u><b>78,455</b></u>  | <u>95,938</u>                                      |

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **General**

In the first half of 2020, the sudden outbreak of COVID-19 pandemic created a huge impact on the PRC economy. The global economy was even plunged to a recession since then with no concrete sign of recovery trend at the date of this announcement. To fight against the epidemic, the PRC government implemented various prevention and control measures throughout the country including lockdowns and semi-lockdowns in different cities in various provinces. In order to support the local government's epidemic prevention and control measure and to protect the health and safety of our employees, we have intermittently suspended the operation of our production facilities and the sales offices in the PRC mainly in the first quarter of 2020. Although an orderly resumption of work and production was implemented subsequently, the Group's overall business operation in the first half of 2020 was inevitably affected to a certain extent.

#### **Marble and Mining Business**

As affected by factors such as the suspension of construction work for the prevention and control of the epidemic and the slower resumption of work of construction workers, the pace of development of real estate developers has also been forced to slow down in the first half of 2020 particularly in the first quarter. The Group's marble business is part of the supply chain of the construction industry and thus its supply was also adversely affected in term of timing and demand during the period. Coupled with some suspensions of operation in the production facilities, the overall production and sales recorded a decline during the review period. Thanks to the increasing number of new stone saw machines and slabs grinding machines in our new production facilities being put into use after testing runs, the above adverse effect was mitigated by the progressive increase in production capability. As such, our sales of slabs remained steady in the period.

During the review period, managements of the Group's different mines have continued their work closely under the guidance 《關於加快建設綠色礦山的實施意見》 published by various central government bureaus and 《砂石行業綠色礦山建設規範》 issued by the PRC Ministry of Natural Resources in order to fulfill the required standard before renewed mining certificates can be officially issued or large-scale mining activities can be commenced. Substantial works at the site of our mines such as redesigning of marble block transportation and deposit yard arrangement, mine site and side slop plantation, mine site sewage treatment system and gravel treatment centre construction etc. have been completed or in progress. With the outbreak of COVID-19, some works were unavoidably behind schedule. With the resumption of work in different sites, the Group wish the excavation activity can be recommenced once the rectification and optimization works meet the standard laid down by the government authorities. In the meantime, we continued sourcing different types of marble blocks from other mines operators for processing into slabs to enrich our product line for sale before a full recommencement of excavation activity of our own mines.

Apart from the marble business, our marble downstream calcium carbonate business also faced a similar situation. Production plants and sales channels are also affected by COVID-19 pandemic that led to the suspension of operation for a similar period of time. Consequently, the quantity produced and sold during the Review Period was lower than normal. Having said that, the calcium carbonate business contributed an aggregate of approximately RMB16.5 million to the Group's revenue as compared to the post-acquisition revenue of approximately RMB13.1 million in the four-month period in prior year. The Group expects the contribution from the calcium carbonate shall be recovered as the impact of the epidemic diminishes.

### **Commodities Trading Business**

Apart from the impact of the COVID-19 pandemic, the deterioration of the China-US relationship following the trade war between these two giant economies has added tremendous uncertainties and risks to the business world. With such business climate in the period, the Group decided withholding any further commodities trading transactions until it is manageable to conduct such activities. As such, the Group does not record any revenue from this business segment during the Review Period.

### **Warehouse Logistics Business**

In late December 2019, after reviewing the warehouse logistics segment's business environment and its operation performance, the Group decided to abandon this business segment so that the Group can better utilise the resources to its other business segments. Due to the outbreak of the COVID-19 pandemic, the negotiation for the disposal and the due diligent works being conducted by the potential buyer has experienced certain delay due to the lockdowns and travel restrictions. The related works were ongoing at the date of this announcement and the Group will update the progress in due course.

### **Investment Properties**

The Group owns eight properties which are classified as investment properties. Five of the properties are commercial properties whereas the other three are residential properties situated in luxury locations in Shanghai, the PRC. Taken into consideration on rapid growth of the PRC economy in the past few years and the increasing demand on luxury residence in tier one cities, the Group held the view in the past that the price of luxury residence market had been moving in an upward trend in the past years other than some minor up-and-down in response to the central government's macro adjustment policy. Despite the historical trend, the sudden outbreak of the COVID-19 pandemic that is still raging around the world with possible multiple waves infections has huge impact on different industries and different class of people. People's wealthiness became volatile and their wealth may shuffle post-pandemic. As such, the Group considered that there may be changes to the historical growing trend of price of luxury residential properties. With the uncertainty on this luxury residence market, the Group commanded an impairment review on its investment properties portfolio. Based on the valuations, an impairment loss of approximately RMB36.7 million was recognized in the period. The Group will constantly review its investment strategy and, where appropriate, may adjust the strategy accordingly.

## RESOURCES AND RESERVES

### Shangri-La Mine

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

|                             |                                       |
|-----------------------------|---------------------------------------|
| Holder                      | Shangri-La Stone Co., Ltd             |
| Nature of resource          | marble                                |
| Covered area                | approximately 0.1649 square kilometer |
| Issuance date               | March 2018                            |
| Expiration date             | March 2021                            |
| Permitted production volume | 50,000 cubic meters 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 30 June 2020 according to Chinese Standards.

| <b>Resources</b> | <i>Millions of<br/>cubic meters</i> |
|------------------|-------------------------------------|
| Indicated        | 2.2                                 |
| Inferred         | 0.3                                 |
| Total            | <u>2.5</u>                          |

During the Review Period, the Shangri-La Mine did not have exploration, development and production activities.

## Dejiang Mine

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

|                             |  |
|-----------------------------|--|
| Holder                      | Guizhou County Dejiang SanXin Stone Co., Ltd |
| Nature of resource          | marble                                       |
| Covered area                | approximately 0.252 square kilometre         |
| Issuance date               | 1 July 2015                                  |
| Expiration date             | 1 January 2019                               |
| Permitted production volume | 30,000 cubic meters 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 has been approved by relevant authorities in 2019 and pending the issue of the renewed mining licence.

The following table summarizes the marble resources of our Dejiang Mine, estimated as of 30 June 2020 under Chinese Standards.

| <b>Resources</b> | <i>Millions of<br/>cubic meters</i> |
|------------------|-------------------------------------|
| Indicated        | 1.3                                 |
| Inferred         | 0.8                                 |
| Total            | <u>2.1</u>                          |

The Group did not have exploration, development and production activities for Dejiang Mine during the Review Period.

## Yongfeng Mine

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

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

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB55.8 million for a period of 30 years. The mining right fee was fully paid in 2019. The Group 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.

The following table summarizes the marble resources and reserves of our Yongfeng Mine, estimated as of 30 June 2020 under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

| <b>Resources</b> | <i>Millions of<br/>cubic meters</i> |
|------------------|-------------------------------------|
| Measured         | 51.2                                |
| Indicated        | 46.6                                |
| Inferred         | 8.8                                 |
| Total            | <u>106.6</u>                        |
| <b>Resources</b> | <i>Millions of<br/>cubic meters</i> |
| Proved           | 23.0                                |
| Probable         | 21.0                                |
| Total            | <u>44.0</u>                         |

The estimated resources and reserves of the Yongfeng Mine as of 30 June 2020 were arrived after taking into account the estimated resources and reserves of the Yongfeng Mine as of 30 September 2013 minus the amount of extraction in the course of the Group's normal and routine mining activities carried out during the period from 1 October 2013 to 30 June 2020 and have been substantiated by Mr. NIE Zhiqiang, the vice president of Jueshi Mining, our wholly-owned subsidiary, who has over 25 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 30 June 2020 (as disclosed in this announcement) were based on the resources and reserves under the JORC Code, i.e. there was no change in the reporting standard used in arriving at these estimates on the respective dates. The methods used to estimate mineral resources and the parameters used for the estimated resources and reserves of the Company as of 30 September 2013 and 30 June 2020 were identical.

The Group did not have exploration, development and production activities for Yongfeng Mine in the Review Period.



## Zhangxi Mine

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

|                             |  |
|-----------------------------|--|
| Holder                      | Jiangxi Jueshi (Ji'an) Mining Co., Ltd |
| Nature of resource          | marble                                 |
| Covered area                | approximately 0.7 square kilometre     |
| 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 was 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 detail 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 summarizes the marble resources of the existing site of Zhangxi Mine estimated as of 30 June 2020 according to Chinese Standards.

| <b>Resources</b> | <i>Millions of<br/>cubic meters</i> |
|------------------|-------------------------------------|
| Measured         | 7.1                                 |
| Indicated        | 18.4                                |
| Inferred         | 4.2                                 |
| Total            | <u>29.7</u>                         |

The Group did not have exploration, development and production activities for Zhangxi Mine in the Review Period.

## Lichuan Mine

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

|                             |   |
|-----------------------------|---|
| Holder                      | Lichuan Lotus Construction Materials Co., Ltd |
| Nature of resource          | marble  |
| Covered area                | approximately 1.5 square kilometre            |
| 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 30 June 2020 according to Chinese Standards.

| <b>Resources</b> | <i>Millions of<br/>cubic meters</i> |
|------------------|-------------------------------------|
| Indicated        | 3.88                                |
| Inferred         | 0.67                                |
| Total            | <u>4.55</u>                         |

The Group did not have exploration, development and production activities for Lichuan Mine in the Review Period.

## FINANCIAL REVIEW

### REVENUE

During the Review Period, the Group recorded an operating revenue of approximately RMB45.0 million from both of its continuing and discontinued operations, representing a decrease of 6.2% or approximately RMB3.0 million compared to the corresponding period of the previous year, mainly due to the drop in sales of marble products of RMB19.3 million in the Review Period, offset by new stream of the sales of calcium carbonate products by RMB16.5 million whereas none was recorded in the corresponding period in 2019 as the Group acquired this business in the second half of 2019. A decline in sales of marble products was recorded during the Review Period mainly due to the suspension and disruption of commercial activities across a number of cities in PRC for a certain period of time as a result of outbreak of COVID-19 pandemic in the Review Period.

#### (a) Sales by product categories

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

|                                     | For the six months ended 30 June 2020 |          |                             | 2019           |          |                             |
|-------------------------------------|---------------------------------------|----------|-----------------------------|----------------|----------|-----------------------------|
|                                     | (Unaudited)                           |          |                             | (Unaudited)    |          |                             |
|                                     |                                       |          | Gross profit/ (loss) margin |                |          | Gross profit/ (loss) margin |
|                                     | <i>RMB'000</i>                        | <i>%</i> | <i>%</i>                    | <i>RMB'000</i> | <i>%</i> | <i>%</i>                    |
| Marble blocks                       | 1,748                                 | 3.9      | 54.3                        | 21,047         | 43.9     | 57.5                        |
| One-side-polished slabs             | 25,122                                | 55.8     | 29.0                        | 24,303         | 50.7     | 32.6                        |
| Cut-to-size slabs                   | –                                     | –        | –                           | 2,560          | 5.3      | 12.1                        |
| Calcium carbonate products          | 16,514                                | 36.7     | 23.7                        | –              | –        | –                           |
| Commodity trading                   | –                                     | –        | –                           | –              | –        | –                           |
| Revenue from continuing operations  | 43,384                                | 96.4     | 28.0                        | 47,910         | 99.9     | 42.5                        |
| Logistics                           | 1,598                                 | 3.6      | (10.0)                      | 39             | 0.1      | (3,900.7)                   |
| Revenue from discontinued operation | 1,598                                 | 3.6      | (10.0)                      | 39             | 0.1      | (3,900.7)                   |
| Total                               | 44,982                                | 100.0    | 26.6                        | 47,949         | 100.0    | 39.2                        |

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

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

|   | <b>For the six months<br/>ended 30 June</b> |                    |
|---|---|--------------------|
|   | <b>2020</b>                                 | <b>2019</b>        |
|   | <b>(Unaudited)</b>                          | <b>(Unaudited)</b> |
| Sales volume                                  |   |                    |
| Marble blocks (m <sup>3</sup> )               | <b>623</b>                                  | 6,969              |
| One-side-polished slabs (m <sup>2</sup> )     | <b>217,216</b>                              | 220,929            |
| Cut-to-size slabs (m <sup>2</sup> )           | <b>–</b>                                    | 16,842             |
| Calcium carbonate products (Ton)              | <b>46,567</b>                               | –                  |
| Average selling price                         |   |                    |
| Marble blocks (RMB/m <sup>3</sup> )           | <b>2,806</b>                                | 3,020              |
| One-side-polished slabs (RMB/m <sup>2</sup> ) | <b>116</b>                                  | 110                |
| Cut-to-size slabs (RMB/m <sup>2</sup> )       | <b>–</b>                                    | 152                |
| Calcium carbonate products (RMB/Ton)          | <b>355</b>                                  | –                  |

The unit selling price of marble blocks slightly decreased by approximately 7.1% comparing to that of the corresponding period of 2019.

The unit selling price of one-side-polished slabs increased by approximately 5.14% comparing to that of the corresponding period of 2019.

No sales of cut-to-size slabs were recorded during the review period and the unit selling price of calcium carbonate products was RMB355 per ton for the six months ended 30 June 2020 which was slightly lower than that in 2019 of RMB361 per ton.

**COST OF SALES**

In the Review Period, the Group's cost of sales from continuing operations amounted to approximately RMB31.2 million, including the cost of marble products of RMB18.6 million, which represented approximately 60% of the total cost of sale from continuing operations. The cost of sale from discontinued operation was approximately RMB1.8 million. In spite of drop in sales during the review period as compared to that of 2019, the cost of sales increased due to the inclusion in the sales mix of the Review Period the sales of calcium carbonate products that have higher average costs of production than marble stone products as in the corresponding period of last year.

## **GROSS PROFIT AND GROSS PROFIT MARGIN**

The gross profit of the Group from continuing operations in the Review Period decreased by approximately RMB8.2 million as compared to that of corresponding period of 2019. The gross profit margin in the Review Period was approximately 28.0%, while the gross profit margin in corresponding period of 2019 was approximately 42.5%. The gross profit margin of the sales of the Group in the Review Period dropped as compared to that of 2019 is mainly attributable to the decline of the sale of marble products which has higher gross profit margin, was mitigated by the new-comer of the sales mix, calcium carbonate products, which has lower gross profit margin.

## **OTHER INCOME AND GAINS**

Other income and gains mainly attributable to the rental income generated from the investment properties in the PRC and government subsidy. Rental income and government subsidy for the review period amounted to RMB3.3 million and RMB1.3 million respectively.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses, mainly comprised of salaries of the Group's sales and distribution staff, travelling expenses, advertising costs and transportation costs, were approximately RMB3.5 million, representing approximately 8.2% of the revenue in the Review Period, while the selling and distribution expenses of RMB1.5 million in the corresponding period in 2019 accounted for approximately 3.1% of the revenue in the corresponding period in 2019. The selling and distribution expenses in the Review Period were increased by approximately RMB2 million due to higher transportation cost being incurred in calcium carbonate products.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses amounted to approximately RMB23.5 million, mainly comprised of salaries of administrative staff, office rental expense, consultant fees, other professional fee depreciation of property, plant and equipment and amortization which amounted to RMB19.4 million, accounting for approximately 54.1% of the revenue in the Review Period. The overall administrative expenses were RMB25.5 million in the corresponding period in 2019, accounting for approximately 53.3% of the revenue for the corresponding period in 2019. The overall administrative expenses in the Review Period were decreased by RMB2.1 million compared to that of the corresponding period as an effort of cost-control.

## **FINANCE COSTS**

Finance costs mainly included interests on bank loans and other borrowings. The finance costs increased by RMB2.5 million from RMB21.9 million in the corresponding period in 2019 to approximately RMB24.4 million mainly due to the increase in overall borrowings during the Review Period.

## **IMPAIRMENT LOSSES**

As a consequence of the outbreak of COVID-19 pandemic and the intensified China-US relationship which led to a deteriorated business environment, the Group conducted an impairment review on the investment properties and its trade receivables. Based on the reviews, impairment losses of RMB36.7 million and RMB13.4 million were recognised in respect of investment properties and trade receivable respectively.

## **HUMAN RESOURCES AND REMUNERATION POLICY**

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

As at 30 June 2020, the total number of full-time employees of the Group was 163 (as at 30 June 2019: 110). Total employee costs (including the directors' remunerations, but excluding equity-settled share option expense) amounted to approximately RMB7.3 million for the Review Period (for the six months ended 30 June 2019: approximately RMB7.6 million). Taking into account of the strategic goal of the Group, operating results, efforts and contributions made by each of the executive directors, senior management and employees, and for the purposes of recognizing their value, motivating for better performance and skills, maintaining the Company's fast-growing development and achieving its long and short-term goals, the remunerations are in line with the market performance and the corresponding qualifications and abilities, and adjustments are made according to varied percentage, and the staff costs had a slight increase in the Review Period. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale.

## **INCOME TAX EXPENSE**

Income tax expense decreased by approximately RMB0.15 million for the six months ended 30 June 2020.

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

The net loss attributable to owners of the Company during the Review Period amounted to approximately RMB92.3 million compared to net loss of RMB28.8 million for the corresponding period in 2019. The reasons for the drop in net loss are mainly due to the net effect of (i) decrease in gross profits of business operations; (ii) increase in finance costs and (iii) increase in impairment losses on investment properties and trade receivables during the Review Period.

## **NET CURRENT ASSETS**

As at ended 30 June 2020, the Group has net current assets of approximately RMB59.0 million (31 December 2019: the net current assets of the Group was approximately RMB83.3 million).

## **CURRENT RATIO**

The current ratio, being current assets over current liabilities, was 1.17 as at 30 June 2020 (31 December 2019: 1.21). The current ratio dropped slightly during the Review Period.

## **BORROWINGS**

As at 30 June 2020, the Group had total borrowings of approximately RMB508.2 million (31 December 2019: RMB477.8 million). During the Review Period, the net amount increased in borrowings is approximately RMB30.4 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 loans and other loans and it excludes liabilities incurred for working capital purposes. As at 30 June 2020, the gearing ratio was approximately 24.1% (31 December 2019: approximately 21.5%).

## **CAPITAL STRUCTURE**

The Company has 3,360,697,729 ordinary shares in issue as at 30 June 2020.

As disclosed in the announcements dated 12 May 2020 and 27 May 2020, the Company issued 203,870,000 new Shares at the price of HK\$0.09 per subscription share. The net proceeds from the subscription amounted to approximately HK\$18.3 million, equivalent to approximately RMB16.6 million.

As far as the intended use of proceeds is concerned, approximately RMB8.4 million was used for construction works relating to the office building and dormitory etc. of the Group's processing facility in the PRC; approximately RMB3.3 million for sewage treatment facilities in the PRC; approximately RMB2.4 million for working capital related to recommencement of mining activities; and approximately RMB2.5 million for administration expenses such as payroll and rentals etc.

Up to 30 June 2020, the proceeds were used as intended except for only approximately RMB1.3 million was used for the sewage treatment facilities in PRC; and only approximately RMB1.1 million was used for the working capital related to recommencement of mining activities due to the delay in work progress and only approximately RMB1.8 million was used for administration expenses. The unused proceeds was expected to be utilized as originally planned in due course.

## **CAPITAL EXPENDITURE**

The Group's ability to maintain and increase its sales and profits depends upon continued capital spending. Capital expenditures are used to purchase mining rights, land, property, plant and equipment. For the Review Period, the Group's expenditure for purchase of property, plant and equipment amount to RMB16.2 million.



## **FOREIGN EXCHANGE EXPOSURE**

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

## **PLEDGE OF ASSETS**

As at 30 June 2020, the Group pledged property, plant and equipment of approximately RMB34.6 million; investment properties of approximately RMB166.2 million; prepaid land lease payments of approximately RMB255.7 million, mining rights of RMB282.1 million and interest in associate of RMB279.8 million to secured the bank and other borrowings.

## **IMPORTANT EVENTS OCCURRED AFTER REVIEW PERIOD**

On 22 July 2020, the Group entered into a placing agreement with Kingkey Securities Group Limited, as a placing agent for the placing of, on a best effort basis, up to 450,000,000 new Shares at a placing price of HK\$0.09 per Share (the **"Placing"**). The Placing was completed on 3 August 2020 under which all the 450,000,000 placing shares were placed. The net proceeds from the Placing amounted to approximately RMB40 million or RMB36 million is expected to be utilized (i) as to approximately RMB9 million for general working capital such as rentals, payroll of the Group and operating costs of the marble processing plant; (ii) as to approximately RMB27 million for repayment of debts and the related interest costs of the Group.

## **OUTLOOK**

Looking forward to the future, there are still uncertainties and challenges in the PRC and the global economy. The Group believe the influence of the pandemic to the operation of the Group will be diminishing given the effectiveness of the PRC government's afford in dealing with the epidemic. Nevertheless, the increasing tension between China and US and the trade war between them remain a concern to the business world. The Group will keep monitoring the development of COVID-19 and assessing the impact of the pandemic on the Group's financial position and operating results and adopt its business plans in response to the ever-changing business environment. Meanwhile, the Group will continue identifying any project or business which is beneficial to the Group and its shareholders as a whole.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

The Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code (the **"CG Code"**) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020 except for the following deviation.



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. 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.

## **NON-COMPLIANCE WITH LISTING RULES**

As disclosed in the Company's announcement dated 21 April 2020, following the resignation of a former independent non-Executive Director, Ms. Zhang Xiaohan ("**Ms. Zhang**") with effect from 21 April 2020, the Company fails to meet the requirements of (i) having at least three independent non-executive Directors under Rule 3.10(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and (ii) the Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules.

On 20 July 2020, Mr. Zhai Feiquan ("**Mr. Zhai**") was appointed as an independent non-executive Director, a member of each of the audit committee (the "**Audit Committee**") and the nomination committee (the "**Nomination Committee**") of the Board with effect from the even date which was within the three-month period from the date of Ms. Zhang's resignation as required under Rules 3.11 and 3.23 of the Listing Rules.

Upon the appointment of Mr. Zhai became effective on 20 July 2020 as an independent non-executive Director and a member of each of the Audit Committee and the Nomination Committee, the Company has re-complied with (i) the requirements of the above Listing Rules and (ii) met the terms of reference and procedures of the Company's Nomination Committee regarding having a minimum of three members.

## **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 six months ended 30 June 2020.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive Directors, namely, Ms. LUNG Yuet Kwan (as chairman), Mr. HUI Yat On and Mr. ZHAI Feiquan. The Audit Committee has adopted the terms of reference in compliance with the CG Code.

The Audit Committee has in conjunction with the management of the Company reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this results announcement and the interim reports of the Company as well as the interim condensed financial information of the Group for the six months ended 30 June 2020.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

## **PUBLICATION OF 2020 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the Company's website ([www.artgo.cn](http://www.artgo.cn)) and the Stock Exchange's website ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)). The Company's 2020 Interim Report will be made available on the websites of the Company and Stock Exchange and will be dispatched to the Company's shareholders in due course.

By order of the Board of  
**ArtGo Holdings Limited**  
**Wu Jing**  
*Chairman and Executive Director*

Hong Kong, 31 August 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, Mr. Hui Yat On and Mr. Zhai Feiquan.*