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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 2023

RESULTS HIGHLIGHTS

- The revenue of the Group for the six months ended 30 June 2023 amounted to approximately RMB31.1 million (2022: approximately RMB26.9 million), representing an increase of 15.6% or approximately RMB4.2 million.

- The loss before tax of the Group for the six months ended 30 June 2023 amounted to approximately RMB38.6 million (2022: approximately RMB36.4 million), representing an increase in loss of approximately RMB2.2 million.

- The Group's net loss for the six months ended 30 June 2023 amounted to approximately RMB40.4 million (2022: approximately RMB36.2 million).

- The basic and diluted loss per share attributable to ordinary equity holders of the Company amounted to RMB0.151 (2022: basic and diluted loss per share of approximately RMB0.164).

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 2023 ("**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 2023.

FINANCIAL INFORMATION

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

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**31,108**	26,940
Cost of sales		**(23,366)**	(20,259)
Gross profit		**7,742**	6,681
Other income and gains	*4*	**1,931**	6,813
Selling and distribution expenses		**(3,930)**	(3,728)
Administrative expenses		**(22,286)**	(24,144)
Other expenses		**(3,113)**	(4,770)
Impairment loss on trade and bills receivables	*11*	**(7,910)**	(183)
Impairment loss on other receivables		**–**	(40)
Finance costs	*5*	**(10,231)**	(15,198)
Share of losses of associates		**(797)**	(1,878)
LOSS BEFORE TAX	*6*	**(38,594)**	(36,447)
Income tax	*7*	**(1,832)**	205
LOSS FOR THE PERIOD		**(40,426)**	(36,242)
			(Restated)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:	*8*		
— Basic and diluted			
— For loss for the period		**(RMB0.151)**	(RMB0.164)

	Notes	For the six months ended 30 June **2023** ***RMB'000*** **(Unaudited)**	 2022 *RMB'000* (Unaudited)
Loss for the period attributable to:			
Owners of the Company		**(40,384)**	(36,200)
Non-controlling interests		**(42)**	(42)
		(40,426)	(36,242)
Loss for the period		**(40,426)**	(36,242)
Other comprehensive loss			
Items that will not be classified to profit or loss:			
Exchange difference arising on translation to presentation currency		**–**	–
Total comprehensive loss for the period		**(40,426)**	(36,242)
Total comprehensive loss attributable to:			
Owners of the Company		**(40,384)**	(36,200)
Non-controlling interests		**(42)**	(42)
		(40,426)	(36,242)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**30 June 2023 RMB'000 (Unaudited)**	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**465,026**	473,230
Investment properties	*9*	**19,565**	20,368
Right-of-use assets		**274,816**	279,491
Intangible assets		**596,617**	596,622
Prepayments, deposits and other receivables	*10*	**4,116**	4,138
Investments in associates		**88,344**	89,141
Deferred tax assets		**1,102**	1,102
Total non-current assets		**1,449,586**	1,464,092
CURRENT ASSETS			
Inventories		**50,697**	43,724
Trade and bills receivables	*11*	**26,233**	28,999
Prepayments, deposits and other receivables	*10*	**80,637**	100,222
Restricted deposits		**2,668**	8,341
Cash and bank balances		**6,134**	15,762
Total current assets		**166,369**	197,048
CURRENT LIABILITIES			
Trade payables	*12*	**25,655**	23,081
Contract liabilities		**9,019**	5,674
Other payables and accruals	*13*	**68,854**	101,403
Tax payables		**24,120**	23,283
Lease liabilities		**586**	1,099
Interest-bearing bank and other borrowings	*14*	**56,650**	24,650
Total current liabilities		**184,884**	179,190
NET CURRENT (LIABILITIES)/ASSETS		**(18,515)**	17,858
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,431,071**	1,481,950

	Notes	**30 June 2023** *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*14*	**297,198**	319,574
Deferred tax liabilities		**8,811**	8,841
Deferred income	*15*	**4,114**	4,219
Lease liabilities		**–**	202
Provision for rehabilitation		**19,988**	19,368
Total non-current liabilities		**330,111**	352,204
Net assets		**1,100,960**	1,129,746
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**53,249**	44,935
Reserves		**954,611**	991,669
		1,007,860	1,036,604
Non-controlling interests		**93,100**	93,142
Total equity		**1,100,960**	1,129,746

NOTES:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, 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, and 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 2022.

Going concern

At 30 June 2023, the current liabilities of the Group exceeded its current assets by approximately RMB18,515,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and consequently, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business.

The directors of the Company have been taking step to improve the liquidity position of the Group. On 28 July 2023, the Company has proposed to implement rights issue on the basis of two rights shares of every one existing share held on the record date (27 September 2023), at a subscription price of HK$0.18 per right share (which was subsequently increased to HK$0.20 per right share), in order to raise net proceeds of approximately HK$121.15 million (equivalent to approximately RMB110.99 million).

The directors of the Company are of the opinion that, after taking into account the net proceeds from the rights issue, the Group has sufficient working capital for its present requirements. Hence, the unaudited interim condensed consolidated financial information has been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these potential adjustments has not been reflected in the unaudited interim condensed consolidated financial information.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this unaudited 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 2022.

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

In preparing this unaudited interim condensed financial information, the Group adopted the following new or revised standards, amendments and interpretations which are effective as of 1 January 2023 and relevant to the operations of the Group:

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.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 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			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Marble stone products	**2,560**	**8.2**	1,111	4.1
Calcium carbonate products	**28,312**	**91.0**	25,489	94.6
Revenue from segment of marble products	**30,872**	**99.2**	26,600	98.7
Logistics and warehousing services	**236**	**0.8**	340	1.3
Total	**31,108**	**100.0**	26,940	100.0

Operating Segment Information

	For the six months ended 30 June 2023		
	Marble products	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
SEGMENT REVENUE	**30,872**	**236**	**31,108**
Segment results	**(18,791)**	**(1,792)**	**(20,583)**
Reconciliation:			
Interest income			**7**
Foreign currency loss, net			**(676)**
Finance costs (other than interest on lease liabilities)			**(10,196)**
Corporate and other unallocated expenses			**(7,146)**
Loss before tax			**(38,594)**

	For the six months ended 30 June 2022		
	Marble products	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE	26,600	340	26,940
Segment results	(14,568)	(658)	(15,226)
Reconciliation:			
Interest income			38
Foreign currency loss, net			(431)
Finance costs (other than interest on lease liabilities)			(15,147)
Corporate and other unallocated expenses			(5,681)
Loss before tax			(36,447)

Geographical information

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Domestic*:		
Mainland China	**31,108**	26,940
	31,108	26,940

* Place of domicile of the Group's principal subsidiaries, Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. ("**Jueshi Mining**"), ArtGo Stone (Jiangxi) Co., Ltd. ("**ArtGo Stone**"), ArtGo Junqi (Shanghai) ("**Shanghai Junqi**"), ArtGo (Xuyi) Co. Ltd. ("**ArtGo Xuyi**"), ArtGo Junqi (Xiamen) ("**Xiamen Junq**i") 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 ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**3,836**	2,732
Customer B	**4,137**	N/A*
Customer C	**N/A***	6,538

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income *(note 6)*	**7**	38
Government subsidy	**1,806**	1,168
Rental income *(note 6)*	**–**	990
Deferred income released to profit or loss	**105**	105
Gain on disposal/deregistration of non-operating subsidiaries	**–**	4,491
Miscellaneous	**13**	21
	1,931	6,813

5. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**966**	8,021
Unwinding of discount on rehabilitation	**619**	566
Interest on other borrowings	**8,611**	6,560
Interest on lease liabilities	**35**	51
	10,231	15,198

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**23,366**	20,259
Employee benefit expense (including directors' and chief executive's remuneration)		
— Salary, wages and other benefits	**6,800**	6,829
— Equity-settled share option expense *(note 17)*	**–**	2,849
Depreciation of property, plant and equipment	**7,911**	10,655
Depreciation of investment properties	**803**	332
Amortisation of intangible assets	**5**	106
Depreciation of right-of-use assets	**4,675**	4,993
Lease payments not included in the measurement of lease liabilities	**50**	95
Impairment losses recognised in trade and bills receivables *(note 11)*	**7,910**	183
Impairment losses recognised in other receivables	**–**	40
Auditor's remuneration	**–**	–
Foreign exchange losses, net	**676**	431
Bank interest income *(note 4)*	**(7)**	(38)
Rental income *(note 4)*	**–**	(990)

7. INCOME TAX

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charged for period	**64**	–
Underprovision/(overprovision) in prior year	**1,798**	(1)
Deferred	**(30)**	(204)
Total tax expense/(credit) for the Review Period	**1,832**	(205)

Notes:

(a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(b) No provision for Hong Kong profits tax has been made as the Group had no taxable profits derived from or earned in Hong Kong during the Review Period.

(c) Pursuant to the income tax rules and regulations in the PRC, the subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated during the Review Period.

8. 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 RMB40,426,000 (six months ended 30 June 2022: loss of RMB36,242,000) and the weighted average number of ordinary shares of 267,199,461 (six months ended 30 June 2022: 221,587,679*) in issue during the Review Period.

The computations of diluted loss per share for the six months ended 30 June 2023 do not assume the exercise of the Company's share options as they would reduce loss per share.

The diluted loss per share for the six months ended 30 June 2022 was the same as basic loss per share as there were no potential outstanding shares.

* Restated based on the share consolidation effective on 28 October 2022.

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of RMB40,000 (six months ended 30 June 2022: RMB19,390,000).

Items of property, plant and equipment with net carrying amount of RMB333,000 (six months ended 30 June 2022: RMBnil) were disposed of during the six months ended 30 June 2023.

Investment properties

During the six months ended 30 June 2023 and 30 June 2022, there were no completed transactions of addition and disposal of investment properties.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**30 June 2023** *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Current portion:			
Prepayments in respect of:			
— Purchase of industrial goods		**21,824**	29,300
— Purchase of materials and supplies		**17,622**	17,436
— Service fee		**4,356**	4,878
Escrow funds	*(a)*	**445**	1,709
Performance security		**4,008**	4,012
Deductible input value-added tax		**1,853**	2,445
Deposits		**2,229**	2,043
Due from associates	*(b)*	**27,555**	37,978
Other receivables		**3,595**	3,271
		83,487	103,072
Impairment allowance		**(2,850)**	(2,850)
		80,637	100,222
Non-current portion:			
Prepayments in respect of			
— Cultivated land used compensation	*(c)*	**4,116**	4,138
		4,116	4,138

Notes:

(a) The balance represents deposit made to Xuyi County Housing Bureau, which was held in escrow for the payment related to the construction of Xuyi Logistics Park.

(b) The amount due from associates are unsecured, interest free and no fixed repayment terms.

(c) 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. TRADE AND BILLS RECEIVABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and bills receivables	**90,027**	84,883
Allowance for credit losses	**(63,794)**	(55,884)
	26,233	28,999

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 and bills 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 and bills receivable balances. Trade and bills receivables are non-interest-bearing and unsecured.

An ageing analysis of the trade and bills receivables as at 30 June 2023 and 31 December 2022, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**8,522**	13,545
1 to 3 months	**4,346**	6,384
3 to 6 months	**9,137**	3,474
6 to 12 months	**4,148**	5,596
Over 1 year	**80**	–
	26,233	28,999

The movement in the loss allowance for impairment of trade and bills receivables is as follows:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of year	**55,884**	63,195
Release from disposal of subsidiary	**–**	(8,726)
Impairment losses provided *(note 6)*	**7,910**	1,415
At end of year	**63,794**	55,884

12. TRADE PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables	**25,655**	23,081

An ageing analysis of the trade payable as at 30 June 2023 and 31 December 2022, based on the invoice date is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 month	**1,704**	4,553
1 to 2 months	**1,625**	1,170
2 to 3 months	**2,448**	5,853
Over 3 months	**19,878**	11,505
	25,655	23,081

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

13. OTHER PAYABLES AND ACCRUALS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current portion:		
Payables relating to:		
Taxes other than income tax	**15,868**	20,303
Professional fees	**3,398**	11,940
Payroll and welfare	**18,660**	17,679
Purchase of property, plant and equipment	**107**	–
Security deposit	**–**	350
Distributors' earnest money	**–**	5,525
Due to a director	**6,320**	20,630
Due to associates	**91**	122
Interest payables relating to:		
— Bank and other borrowings	**15,590**	16,131
— Purchase of mining right	**3,707**	3,707
Others	**5,113**	5,016
	68,854	101,403

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank loans:		
Secured	**15,000**	15,000
Guaranteed	**29,900**	19,900
	44,900	34,900
Effective interest rate per annum (%)	**4.56–6.80**	4.56–6.80
Other borrowings:		
Secured or guaranteed	**12,628**	12,628
Unsecured	**296,320**	296,696
	308,948	309,324
Effective interest rate per annum (%)	**1.00–24.00**	1.00–24.00
Analysed into:		
Bank loans repayable:		
Within one year	**37,900**	19,900
In the second year	**7,000**	15,000
	44,900	34,900
Other borrowings repayable:		
Within one year	**18,750**	4,750
In the second year	**29,640**	15,600
In the third to fifth years, inclusive	**260,558**	288,974
	308,948	309,324
Total bank and other borrowings	**353,848**	344,224
Portion classified as current liabilities	**(56,650)**	(24,650)
Non-current portion	**297,198**	319,574

15. DEFERRED INCOME

	RMB'000
Government grant	
At 1 January 2023 (Audited)	**4,219**
Released to profit or loss	**(105)**
At 30 June 2023 (Unaudited)	**4,114**

16. SHARE CAPITAL

Shares

	30 June 2023 *HK$'000* **(Unaudited)**	31 December 2022 *HK$'000* (Audited)
Authorised:		
500,000,000 ordinary shares of HK$0.20 each	**100,000**	100,000
Issued and fully paid:		
308,624,875 ordinary shares of HK$0.20 each (2022: 262,624,875 ordinary shares of HK$0.20 each)	**61,725**	52,525
Equivalent to approximately	**RMB53,249**	RMB44,935

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 2022	4,368,767,501	37,063
Issue of shares under exercising of share options *(note a)*	883,730,000	7,872
Share consolidation *(note b)*	(4,989,872,626)	–
At 31 December 2022 (audited)	262,624,875	44,935
Issue of shares under Share Subscription Agreement *(note c)*	46,000,000	8,314
At 30 June 2023 (unaudited)	**308,624,875**	**53,249**

Note:

(a) During the year ended 31 December 2022, 883,730,000 share options were exercised to subscribe for 883,730,000 ordinary shares in the Company at a consideration of RMB17,833,000 of which RMB7,872,000 was credited to the share capital and the balance RMB9,961,000 was credited to the share premium account. Amount of RMB5,512,000 has been transferred from share option reserve to the share premium account.

(b) During the year ended 31 December 2022, the Group carried out the share consolidation pursuant to which every twenty existing shares will be consolidated into one consolidated share with effect on 28 October 2022. As a result of the share consolidation, the number of shares in issue has been updated from 5,252,497,501 issued shares of HK$0.01 each to 262,624,875 shares of HK$0.20 each.

(c) During the six-months ended 30 June 2023, 46,000,000 new shares were issued under a Share Subscription Agreement at a consideration of RMB11,640,000 of which RMB8,314,000 was credited to the share capital and the balance RMB3,326,000 was credited to the share premium account.

17. 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.

During the Review Period ended 30 June 2023, the Company did not grant any share option to eligible directors and employees and there was no share option being exercised.

The Group recognised the total equity-settled share option expense of approximately RMBnil (30 June 2022: RMB2,849,000) during the period ended 30 June 2023 in relation to share options granted by the Company.

18. DIVIDENDS

At a meeting of the Board held on 31 August 2023, the Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

General

In the first half of 2023, even though the PRC government had removed all the strict control measures for the COVID-19 pandemic, the severe political tension between China and US was still continuingly creating a significant impact on the PRC economy and the global economy. What was even worse, the war between Russia and Ukraine commenced in February 2022 has been posing tremendous uncertainties and potential risks to the global and local business environment. As such, the economic recovery in the PRC in the first half of 2023 was weaker than what was originally expected.

Marble and Mining and Calcium Carbonate Business

The Group's marble stone products business is part of the supply chain of the real estate construction sector, which, to a large extent, has not been fully recovered from the pandemic (and so as the overall business of the Group). During the Review Period, property developers in China were still facing severe liquidity problems. As such, instead of developing new projects, most property developers were focusing on clearing up their inventory, seeking new refinancing opportunities and negotiating with existing creditors for debt restructuring. Under such circumstances, the management of the Group has been operating its business very cautiously during the Review Period. The Group's revenue from marble stone products amounted to approximately RMB2.6 million during the Review Period, representing 136% increase as compared to approximately RMB1.1 million in last year's corresponding period. The increase was mainly due to very low sale base in the first half of 2022 as a result of (i) the very adverse market conditions in real estate construction sector in 2022 and (ii) the Group's Head Office in Shanghai was closed during mid March to end of May 2022 because of the city lock-down and senior members of sale and marketing staff responsible for marble stone sale were quarantined and hence unable to conduct any sale and marketing activities.

Apart from the marble business, our marble downstream calcium carbonate business also faced a similar situation. Having said that, the calcium carbonate business contributed an aggregate of approximately RMB28.3 million to the Group's revenue as compared to RMB25.5 million in the corresponding period of last year.

Commodities Trading Business

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 since from 2020, the Group decided withholding any further commodities trading transactions until it is manageable to conduct such activities. As such, the Group did not record any revenue from this business segment during both the Review Period and the corresponding period in 2022.

Warehouse Logistics Business

In mid-December 2019, after reviewing the warehouse logistics segment's business environment and its operation performance, the Group decided to abandon this business segment for the purpose of focusing more resources on the core business segment. Since then, management has been in active discussion with a potential buyer for disposing of the entire plant (a Letter of Intent was signed for such purpose). Due to the outbreak of the COVID-19 pandemic, the negotiation for the disposal and the due diligent work conducted by the potential buyer have experienced certain delay.

No legal binding agreement regarding the disposal was reached before the expiration of the Letter of Intent on 30 September 2021. The management was of view that, due to the unfavourable market conditions, there were uncertainties on reaching a final agreement of the disposal with the potential buyer. As such, the Disposal Group's assets were no longer classified as assets held for sale as at 31 December 2021 and thereafter. In the Review Period, the Group's revenue from warehouse logistics segment amounted to approximately RMB0.24 million, representing 29.4% decrease, as compared to approximately RMB0.34 million in corresponding period in 2022. The Group remains committed in relation to the original disposal plan and will continue to seek other potential buyers. Further announcement(s) will be made if there is any progress.

RESOURCES AND RESERVES

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 kilometer
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 following table summarizes the marble resources of our Dejiang Mine, estimated as of 30 June 2023 under Chinese Standards.

Resources	**Millions of cubic meters**
Indicated	1.3
Inferred	0.8
Total	2.1

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 1.3341 square kilometer
Issuance date	5 June 2020
Expiration date	5 June 2030
Permitted production volume	1,100,000 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. We obtained a mining permit 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 can be extended up to 30 years from the date of issue of the first mining permit on 5 February 2013 according to applicable PRC laws and regulations. In 2020, we obtained the renewed official mining permit with a valid period of 10 years from 5 June 2020 to 5 June 2030. The annual permitted production volume was expanded from 0.25 million cubic meters to 1.1 million cubic meters.

The following table summarizes the marble resources and reserves of our Yongfeng Mine, estimated as of 30 June 2023 under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves ("**JORC Code**").

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

Reserves	Millions of cubic meters
Proved	23.0
Probable	21.0
Total	44.0

The estimated resources and reserves of the Yongfeng Mine as of 30 June 2023 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 2023 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 2023 (as disclosed above) 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 2023 were identical.

The Group took exploration, development and production activities with a volume of approximately 230 cubic meters for Yongfeng Mine in the Review Period (2022: nil).

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 kilometer
Issuance date	23 July 2015
Expiration date	23 July 2018
Permitted production volume	20,000 cubic meters 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 2023 according to Chinese Standards.

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

The Group did not have exploration, development and production activities for 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 kilometer
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 2023 according to Chinese Standards.

Resources	**Millions of cubic meters**
Indicated	3.88
Inferred	0.67
Total	4.55

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 RMB31.1 million, representing an increase of 15.6% or approximately RMB4.2 million compared to the corresponding period of the previous year. The sales of calcium carbonate products contributes 91.0% or approximately RMB28.3 million to the Group's total revenue.

(a) Sales by product categories

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

	For the six months ended 30 June			
	2023		2022	
	(Unaudited)		(Unaudited)	
	RMB'000	*%*	*RMB'000*	*%*
Marble stone products	**2,560**	**8.2**	1,111	4.1
Calcium carbonate products	**28,312**	**91.0**	25,489	94.6
Revenue from segment marble products	**30,872**	**99.2**	26,600	98.7
Warehouse logistics	**236**	**0.8**	340	1.3
Commodity trading	**–**	**–**	–	–
Total	**31,108**	**100.0**	26,940	100.0

(b) Sales Volume

The following table sets out the sales volume of marble stone products and calcium carbonate products:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Sales volume		
Marble stone products:		
Marble blocks (m^3)	**157**	–
Processed slabs (m^2)	**5,229**	3,264
Calcium carbonate products (Ton)	**68,423**	67,954

COST OF SALES

In the Review Period, the Group's cost of sales amounted to approximately RMB23.4 million, including the cost of marble stone products of RMB1.7 million and the cost of calcium carbonate products of RMB21.3 million, which represented approximately 7.3% and 91.2% of the total cost of sale respectively. The proportion of the cost of sales of marble stone products and calcium carbonate products was in line with the proportion of their respective revenue contributions.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group in the Review Period was approximately RMB7.7 million, increased by approximately RMB1.0 million as compared to that of corresponding period of 2022. The gross profit margin in the Review Period was approximately 24.9%, while the gross profit margin in corresponding period of 2022 was approximately 24.8%. The overall gross profit margin of the sales of the Group in the Review Period is at a level similar to that of 2022 because the proportion of sales of marble stone products and calcium carbonate products does not have significant change in the Review Period as compared to that in the corresponding period in 2022.

OTHER INCOME AND GAINS

Other income and gains mainly attributable to one-off gain of RMBnil million (2022: RMB4.5 million) on disposal/deregistration of non-operating subsidiaries, the rental income of RMBnil million (2022: RMB1.0 million) generated from the investment properties in the PRC and government subsidy of RMB1.8 million (2022: RMB1.2 million).

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 RMB3.9 million, representing approximately 12.6% of the revenue in the Review Period, while the selling and distribution expenses of RMB3.7 million in the corresponding period in 2022 accounted for approximately 13.8% of the revenue in the corresponding period of 2022. The selling and distribution expenses in the Review Period were slightly increased by approximately RMB0.2 million. Such increase was in line with the increase of sale activities and sale volume during the Review Period.

ADMINISTRATIVE EXPENSES

Administrative expenses amounted to approximately RMB22.3 million, mainly comprised of salaries of administrative staff, office rental expense, consultant fees, other professional fee, depreciation of property, plant and equipment and amortization, accounting for approximately 71.6% of the revenue in the Review Period. The overall administrative expenses were RMB24.1 million in the corresponding period in 2022, accounting for approximately 89.6% of the revenue for the corresponding period in 2022. The overall administrative expenses in the Review Period were decreased by RMB1.8 million compared to that of the corresponding period in 2022. Such decrease was mainly due to the employee benefit expenses derived from equity-settled share option expenses in the corresponding period of 2022.

FINANCE COSTS

Finance costs mainly included interests on bank loans and other borrowings. The finance costs decreased by RMB5.0 million from RMB15.2 million in the corresponding period in 2022 to approximately RMB10.2 million mainly due to the decrease in overall borrowings interest rates during the Review Period.

IMPAIRMENT LOSSES

In Review Period, the impairment losses on trade and bills receivables was RMB7.9 million. In the corresponding period of 2022, the impairment losses on trade and bills receivables was RMB0.2 million. The increase in impairment losses on trade and bill receivables by RMB7.7 million was mainly due to the adverse business environments and severe liquidity problems of customers from the real estate construction sector.

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 2023, the total number of full-time employees of the Group was 205 (as at 30 June 2022: 216). Total employee costs (including the directors' remunerations, but excluding equity-settled share option expense) amounted to approximately RMB6.8 million for the Review Period (for the six months ended 30 June 2022: approximately RMB6.8 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 (excluding equity-settled share option expenses) in the Review Period is at a level similar to that of 2022. 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 increased by approximately RMB2.0 million for the six months ended 30 June 2023.

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 RMB40.4 million compared to net loss of RMB36.2 million for the corresponding period in 2022. The increase in net loss are mainly due to the net effect of (i) decrease in finance costs; (ii) increase in impairment loss on trade and bills receivables; (iii) decrease in other income and gains; and (iv) decrease in administrative expenses during the Review Period.

NET CURRENT ASSETS

As at 30 June 2023, the Group has net current liabilities of approximately RMB18.5 million (31 December 2022: the net current assets of the Group was approximately RMB17.9 million).

CURRENT RATIO

The current ratio, being current assets over current liabilities, was 0.90 as at 30 June 2023 (31 December 2022: 1.10). The decrease in current ratio was mainly due to the increase of the current portion of interest-bearing bank and other borrowings from RMB24.7 million as at 31 December 2022 to RMB56.7 million at the end of the Review Period.

BORROWINGS

As at 30 June 2023, the Group had total borrowings of approximately RMB353.8 million (31 December 2022: RMB344.2 million). During the Review Period, the net amount increased in borrowings is approximately RMB9.6 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 loans and other loans and it excludes liabilities incurred for working capital purposes. As at 30 June 2023, the gearing ratio was approximately 31.6% (31 December 2022: approximately 29.1%).

CAPITAL STRUCTURE

The Company has 308,624,875 ordinary shares in issue as at 30 June 2023.

During the Review Period, 46,000,000 new shares were issued by the Company at HK$0.280 per share under a Share Subscription Agreement signed on 5 May 2023. Gross proceeds of HK$12.88 million was received by the Company upon completion on 13 June 2023.

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 RMB0.04 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 2023, the Group did not pledge any assets to secure the bank and other borrowings.

IMPORTANT EVENTS OCCURRED AFTER REVIEW PERIOD

There was no important event occurred after the Review Period.

OUTLOOK

Looking forward to the future, there are still uncertainties and challenges in the PRC and the global economy, particularly, the increasing tension between China and US, and the war between Russia and Ukraine remaining a concern to the business world. The Group will keep monitoring the development of matters affecting the business of the Group and assessing the potential impact 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 and improving/reducing overall debt levels by the expected new financial resources from the proposed rights issue.

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 2023 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

There was no non-compliance with the Listing Rules during the review period ended 30 June 2023.

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 Review Period.

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 Review Period.

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 Review Period.

PUBLICATION OF 2023 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Company's website (www.artgo.cn) and the Stock Exchange's website (www.hkexnews.hk). The Company's 2023 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 2023

As at the date of this announcement, the executive Directors are Mr. Gu Weiwen, Mr. Zhang Jian, Ms. Wu Jing and Mr. Wan Jian; 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.