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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read this section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW OF OUR BUSINESS

We are a leading silver producer in China, deploying a comprehensive production process designed to recover and refine non-ferrous metals to maximize economic value. According to CRU, we were ranked as the tenth largest silver producer in China in terms of annual production volume in 2011. Our principal product is silver ingot of not less than 99.995% purity sold under our well-recognized brand name “Longtianyong”, which accounted for approximately 70% or more of our revenue during each of the three years ended December 31, 2011 and the six months ended June 30, 2012.

We recover and refine silver from high-content ore powder, smelting slag and low-content ore powder and, we also recover and refine other metal by-products which have commercial value including lead ingot (since 2009) and bismuth ingot and antimony ingot (both since 2010). According to CRU, we were one of the first batch of companies to be certified as a “Circular Economy Exemplar Enterprise” in Jiangxi Province by the Jiangxi Development and Reform Commission (江西省發展和改革委員會) because of our comprehensive production model. As of August 31, 2012, there were a total of 66 enterprises and 37 industrial or administrative units certified as “Circular Economy Exemplar Enterprise” in Jiangxi Province. Our recycling production process, which is endorsed by the NDRC, involves the recovery and production of silver, lead and other non-ferrous metals from high-content ore powder, smelting slag and low-content ore powder and the processing of kiln slag into saleable concrete for construction use.

Over the years, our strong focus on the production of silver has enabled us to develop a highly efficient and advanced ore powder and smelting slag processing method. We are capable of producing silver ingot with a purity grade of 99.999%, currently the world’s highest standard in silver production. Our silver ingot under the “Longtianyong” brand was admitted to the silver list of the LBMA Good Delivery List on December 28, 2011. Furthermore, according to CRU, we are the only non-state-owned or -controlled entity in China among the seventeen Chinese enterprises whose products are accepted by the LBMA Good Delivery List. Domestically, our “Longtianyong” branded silver ingot has been ranked by the Shanghai White Platinum & Silver Exchange as one of the 20 most popular silver brands for eight consecutive years since 2005.

### PRODUCTS

No. 1 International Silver Ingot is our principal product. Our silver ingot has a purity of not less than 99.995%, exceeding the China Silver Standard of 99.99% and the LBMA International Silver Standard of 99.9%. In addition, we also recover and refine other non-ferrous metals, including No. 1 Lead Ingot, No. 1 Bismuth Ingot and No. 0 Antimony Ingot, during our manufacturing process, and process kiln slag into saleable concrete for construction use.

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The table below sets forth the sales revenue, percentage of revenue, sales volume and average selling price of each of our product categories for the year ended December 31, 2009, 2010 and 2011, and the six months ended June 30, 2011 and 2012:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	(unaudited)				
<b>Silver ingot</b>					
Revenue (RMB'000) .....	255,992	402,518	719,448	314,564	468,522
Percentage of revenue .....	88.4%	72.0%	73.1%	69.4%	75.5%
Sales volume (tonnes) .....	88.7	104.7	112.9	49.7	86.0
Average selling price (RMB'000 per tonne) .....	2,886.0	3,844.5	6,372.4	6,329.3	5,447.9
<b>Lead ingot</b>					
Revenue (RMB'000) .....	29,375	104,444	137,060	69,961	84,459
Percentage of revenue .....	10.1%	18.7%	13.9%	15.4%	13.6%
Sales volume (tonnes) .....	2,559.0	7,749	9,997	4,898.8	6,491.7
Average selling price (RMB'000 per tonne) .....	11.5	13.5	13.7	14.3	13.0
<b>Bismuth ingot</b>					
Revenue (RMB'000) .....	—	12,983	68,856	36,668	38,023
Percentage of revenue .....	—	2.3%	7.0%	8.1%	6.1%
Sales volume (tonnes) .....	—	118.8	507.9	280.0	323.0
Average selling price (RMB'000 per tonne) .....	—	109.3	135.6	131.0	117.7
<b>Antimony ingot</b>					
Revenue (RMB'000) .....	—	22,628	40,473	21,262	23,865
Percentage of revenue .....	—	4.0%	4.1%	4.7%	3.8%
Sales volume (tonnes) .....	—	377.7	502.6	255.9	354.3
Average selling price (RMB'000 per tonne) .....	—	59.9	80.5	83.1	67.4
<b>Non-standard gold and others</b>					
Revenue (RMB'000) .....	4,360	16,718	18,335	11,008	6,006
Percentage of revenue .....	1.5%	3.0%	1.9%	2.4%	1.0%
<b>Total revenue (RMB'000) .....</b>	<b>289,727</b>	<b>559,291</b>	<b>984,172</b>	<b>453,463</b>	<b>620,875</b>

### PRODUCTION FACILITIES

We utilize a comprehensive smelting process by means of electrolytic reduction to recover and refine non-ferrous metals. We adopt a combination of pyrometallurgy and hydrometallurgy for our recovery and refining process, with pyrometallurgy as our main production technology for most of the processes. We have an integrated production system for recovery, recycling and refinery of non-ferrous metals, which has a designed annual production capacity of 250 tonnes of silver ingots. The following table sets forth the designed annual silver production capacity of our integrated production system, actual silver production volumes and utilization rates for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
Designed annual silver production capacity (tonnes) .....	250	250	250	250	250
Actual silver production volume (tonnes) .....	88.7	104.4	112.9	56.3	83.2
Utilization rate <sup>(1)</sup> .....	35.5% <sup>(2)</sup>	41.8%	45.2%	45.0% <sup>(3)</sup>	66.6% <sup>(3)</sup>

- (1) Utilization rate is calculated by dividing the actual production volume for the relevant period with the designed annual production capacity as of the end of the relevant period. The actual production volume is based on a production schedule of 300 days per year.
- (2) The actual silver production volume in 2009 includes 59.1 tonnes of silver ingots produced at our old production plant and 29.6 tonnes of silver ingots produced at our current production plant. Our old production plant had a designed annual silver production capacity of approximately 100 tonnes of silver ingots. Therefore, the utilization rate of 2009 with respect to our old production plant was approximately 59.1% and the utilization rate of 2009 with respect to our current production plant was approximately 11.8%.
- (3) These are annualized rates. In computing the annualized utilization rate, the actual production volume was multiplied by two.

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Our utilization rates during the Track Record Period were low because after we had completed the Phase I construction by the end of 2008, our integrated production system went through trial production for fine-tuning; our trial production was suspended for several months for technical improvement and adjustment in 2009; thereafter we gradually increased our production volumes of silver and other non-ferrous metals in accordance with our financial means, adhering to our prudent financial policy; and we did not have sufficient funds for our working capital at the relevant time to purchase raw materials required for a ramp up in production volumes. From June 2012 onwards, we have achieved a high or full utilization of our designed production capacity. The annualized utilization rate of our production capacity for the ten months ended October 31, 2012 was approximately 79.8%. We expect to gradually achieve an annual silver production capacity of 400 tonnes by 2013, 550 tonnes by 2014 and 650 tonnes by 2015.

We consider improvement on production efficiency an important way to minimize our exposure to silver price fluctuation. During the Track Record Period, we gradually improved our production efficiency by reducing our inventory of raw materials to support our continuous production, reducing our production lead time (from acceptance of delivery of raw materials to sale of our end products) and reducing our average turnover days of inventories. To minimize the impact of silver price fluctuation on us, we plan to continue reducing our production cycle (from order of raw materials to sale of our end products) and enhancing our production efficiency.

### SALES AND MARKETING

We have established a strong market reputation and a well-recognized credibility among our customers. Our customers associate our “Longtianyong” brand with high-quality and reliability. We generally enter into sales contracts with our customers when they place purchase orders with us. The contracts include key terms of the purchase, such as payment, delivery, and the method to determine price. We generally require our customers to make prepayment of not less than 60% within one week after having entered into sales contracts with us. We normally estimate the total sales price for each sales order at the time of entering into the sales order and make appropriate adjustments to the final sales price on the product delivery day by reference to the relevant benchmark prices as of one day prior to the delivery day. We normally deliver our goods within three days after we receive the prepayment. The remaining balance of the purchase price, together with the difference between the estimated price and fixed price, is settled within seven to ten days after product delivery. The final sales prices of our silver ingot and other non-ferrous metal products are determined with reference to the closing China Domestic Silver Price and the respective closing prices of the relevant commodities provided by the Shanghai Metals Market on the day prior to product delivery, after deduction of reasonable freight charges. Therefore, we are responsible for the transportation cost of our products.

#### Our Customers

Because of our proven track record in consistently producing high quality silver ingots, we have established a long term relationship with our customers, many of which are among the largest or leading enterprises in the end-user markets for silver products in China. For example, our largest customer is China Minmetals Nonferrous Metals Co., Ltd. (五礦有色金屬股份有限公司), a state-owned enterprise which has a large market share in China’s non-ferrous metal markets. Our other long-term major customers include China National Nonferrous Metals Import & Export Jiangxi Corporation Limited (中國有色金屬進出口江西有限公司) and Guilin Coninst Electrical & Electronic Material Co., Ltd. (桂林金格電工電子材料科技有限公司). We plan to further develop new customers such as banks and financial institutions who are actively trading silver in international and domestic commodity markets and have substantial demand for silver ingots.

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### PROCUREMENT

Our routine and regular procurement include procurement of (i) principal raw materials, mostly high-content ore powder, smelting slag and low-content ore powder; (ii) supplemental materials used in production of silver and other non-ferrous metal products; and (iii) fuel, mainly including electricity and coal. All of our material and fuel procurements is from domestic or local suppliers. In addition, we also purchase production equipment and machinery from domestic industrial manufacturers. During the Track Record Period, our cost of raw materials consumed represented a significant portion of our total cost of sales. See the section headed “Financial Information — Description of the Major Components of Our Results of Operations” in this prospectus for further information.

The following table illustrates the total purchase amount, purchase volume and average purchase price by types of our principal raw materials for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2009 <sup>(1)</sup>	2010	2011	2011	2012
<b>High-content ore powder</b>					
Amount (RMB'000) .....	65,677	228,978	388,972	195,519	258,178
Purchase volume (tonnes) .....	5,442	14,664	18,323	9,377	11,630
Average purchase price (RMB'000 per tonne) .....	12.1	15.6	21.2	20.9	22.2
<b>Smelting slag</b>					
Amount (RMB'000) .....	10,597	91,405	181,182	92,097	115,156
Purchase volume (tonnes) .....	843	6,572	9,456	4,755	6,181
Average purchase price (RMB'000 per tonne) .....	12.6	13.9	19.2	19.4	18.6
<b>Low-content ore powder</b>					
Amount (RMB'000) .....	30,371	101,541	166,091	83,053	93,250
Purchase volume (tonnes) .....	8,748	22,383	24,009	11,473	14,020
Average purchase price (RMB'000 per tonne) .....	3.5	4.5	6.9	7.2	6.7
<b>Anode slime<sup>(1)</sup></b>					
Amount (RMB'000) .....	113,138	—	—	—	—
Purchase volume (tonnes) .....	304	—	—	—	—
Average purchase price (RMB'000 per tonne) .....	372.2	—	—	—	—

(1) In 2009, we also carried out production at our old production plant which only had the capability of recovering and refining silver from anode slime. After 2009, we no longer purchased anode slime.

Since the silver content of our principal raw materials varies, we utilize a mixture of high-content ore powder, smelting slag and low-content powder in the production of our silver ingots and other non-ferrous metals which best matches our production and sales schedule and results in the maximization of economic value. The average volume of our principal raw materials used to produce one tonne of silver ingot (total purchase volume of high-content ore powder, smelting slag, low-content ore powder and anode slime divided by total production volume) for the year ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 were approximately 173 tonnes, 418 tonnes, 459 tonnes, 455 tonnes and 383 tonnes, respectively.

The purchase price of each shipment of high-content ore powder, smelting slag or low-content ore powder is determined by the content levels of silver and lead contained in the raw materials with reference to (i) the mean of the China Domestic Silver Price for silver content; and (ii) the benchmark price of lead provided by the Shanghai Metals Market for lead content, in both cases, on the day prior to the delivery of raw materials to us, after applying 10 to 40% discount. The discount depends on the types of raw materials purchased, which is generally determined through negotiation.

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### ENVIRONMENTAL PROTECTION

During our production process, we generate dust, sulfur dioxide, wastewater and noise which could cause pollution to the environment. We must meet the requirements and standards from the PRC environmental laws and regulations and local environmental protection authorities.

We were selected as one of the 3,605 national key monitored enterprises for exhaust emission and were included in the 2012 National List. The MEP has implemented the 2012 National List as part of its standard plan and normal procedure for environmental monitoring under the broader policy goals of the Five-Year Plan. See the section headed “Business — Environmental Protection — Overview of Principal Environmental Regulations and Compliance Monitoring — The 2012 National List of Key Environmental Monitored Enterprises” in this prospectus for further discussion.

We have implemented environmental protection measures and installed equipment to process and dispose of our industrial wastes, such as exhaust emission, wastewater discharge and noise, to meet the relevant national and local requirements and standards. The main emission in our production is sulfur dioxide. We plan to adopt advanced measures and treatment process, such as the sodium sulfide-sulfur process, to continue to improve and enhance our environmental protection and management systems.

We have obtained GB/T 24001-2004/ISO 14001:2004 certification for our environmental management system. In addition, we have engaged Atkins China to undertake the Limited Phase I Environmental Due Diligence Assessment for our production facilities. Atkins China has found that based on the confirmation from the County EPB dated July 23, 2012, our production facilities comply with the environmental criteria acceptable to the County EPB, and that there had not been any recorded environmental non-compliances by us on our facilities and there had not been any environmental citations or punishments issued to us. Atkins China has identified a number of areas for pollution control improvement and we have taken on these improvement measures. With these measures in place and implemented during the operation of our production facilities, Atkins China considers that reasonable measures have been undertaken to comply with the statutory pollution control requirements.

In February 2012, there were internet media articles alleging that we emitted hazardous gas and discharged wastewater into the En River, a drinking water protection area, near our production facilities. In response to the wastewater discharge claim alleged in these media articles, Atkins China identified that the design and layout of our drainage system directs the process wastewater into a detention pond located within our production facilities and recycles it for subsequent use in our production, instead of discharging the wastewater into the En River. With respect to the hazardous gas emission claim, there occurred the Grey or Black Smoke Incidents in July and August 2011 caused by the malfunction of air emission equipment. In response to such claim, we have repaired the relevant air emission equipment to rectify the problems immediately after the incidents occurred. Pursuant to a confirmation letter dated September 20, 2012 issued by the County EPB, the Grey or Black Smoke Incidents had been fully settled and no administrative penalty had been imposed on us; other than the complaint received in relation to the Grey or Black Smoke Incidents, the County EPB had not received any complaints regarding the discharge of pollutants from our production sites. Our Directors confirm that the information alleged in the wastewater discharge claim was untrue and unfounded, and the Grey or Black Smoke Incidents have already been rectified by repairing the malfunctioned equipment and further strengthening measures of monitoring emission, and replacing bag filters at our production site. Our Directors

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further confirm that save as disclosed above, there was no dispute or complaint regarding our wastewater discharge and gas emission during the Track Record Period. See the paragraphs headed “Wastewater Discharge Claim” and “Grey or Black Smoke Incidents” under the section headed “Business — Environmental Protection” in this prospectus for further details.

### **RISK FACTORS**

There are certain risks involved in our operations. Any risk and uncertainty could have a material adverse effect on our business, financial condition and results of operations or the trading price of the Shares, and could cause you to lose all or a portion of your investment. Below sets forth the major risk factors in relation to our operations:

- Our business and results of operations are dependent on the demands in the end-user market for, and the market price of, silver products in China, which are driven by factors beyond our control.
- If we fail to increase our production capacity according to our planned schedule or improve our production utilization rate, we may not be able to maintain or increase our profit margin.
- Any failure by us to comply with any present or future environmental laws and regulations may subject us to administrative sanctions or civil claims or interrupt our business operations.

A detailed discussion of the risk factors is set forth in the section headed “Risk Factors” in this prospectus.

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### SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

The following tables set forth a summary of the combined financial information of our Group as at and for the year ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012:

#### Key Income Statement Information

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue .....	289,727	559,291	984,172	453,463	620,875
Gross profit					
Silver ingot and lead ingot .....	66,658	104,973	65,581	68,500	24,496
Other non-ferrous metals .....	4,124	50,315	122,331	66,515	64,828
Overall .....	70,782	155,288	187,912	135,015	89,324
Gross profit margin .....					
Silver ingot and lead ingot .....	23.4%	20.7%	7.7%	17.8%	4.4%
Other non-ferrous metals .....	94.6%	96.2%	95.8%	96.5%	95.5%
Overall .....	24.4%	27.8%	19.1%	29.8%	14.4%
Listing expenses .....	—	—	—	—	325
Profit before tax .....	50,885	131,640	154,858	120,185	73,220
Profit and total comprehensive income for the year/period .....	37,131	98,286	115,410	89,667	54,459
Net profit margin .....	12.8%	17.6%	11.7%	19.8%	8.8%

Our revenue grew significantly at a CAGR of 84.3% from 2009 to 2011, and grew by 36.9% from the six months ended June 30, 2011 to the six months ended June 30, 2012. The growth in revenue during the Track Record Period was mainly driven by the increase in sales of our silver ingots. Our gross profit increased from 2009 to 2011 primarily due to the increase in gross profit contributed from other non-ferrous metals. Compared to our overall gross profit margin of 24.4% and 27.8% for the year ended December 31, 2009 and 2010, respectively, our overall gross profit margin decreased to 19.1% for the year ended December 31, 2011 primarily due to the decrease in gross profit of silver ingot and lead ingot as a result of increased price volatilities of silver and lead in the PRC and international markets and the decrease in silver market price after we purchased raw materials during our production cycle. Our overall gross profit margin for the six months ended June 30, 2012 decreased to 14.4% due primarily to the unfavorable market environment in China for silver and lead caused by the persistent debt crisis in Europe and the fluctuations in the prices of silver and lead during the first half of 2012.

Our raw material cost is determined by the content levels of silver and lead. Other types of minerals or metals contained in the raw materials are not taken into account in determining the purchase price of the raw materials. As a result, the cost of sales for silver ingot and lead ingot will absorb the entire cost of raw materials consumed plus portion of direct labor and manufacturing overhead costs, while the cost of sales for other non-ferrous metals will only absorb an allocated portion of direct labor and manufacturing overhead costs. Because our cost of raw materials consumed accounted for approximately 95% of our cost of sales and our direct labor and manufacturing overhead cost only accounted for approximately 5% of our cost of sales during the Track Record Period, the cost of sales allocated to other non-ferrous metals was significantly lower than the cost of sales of silver ingot and lead ingot. This has resulted in a significant difference between the gross profit margin of silver and lead, on one hand, and other non-ferrous metals, on the other hand.

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### *Listing Expenses Incurred and to be Incurred*

During the Track Record Period, our listing expenses incurred and recognized were approximately RMB325,000. Our listing expenses to be recognized after June 30, 2012 until December 31, 2012 are estimated to be approximately RMB44.2 million (equivalent to HK\$54.4 million), of which approximately RMB27.4 million (equivalent to HK\$33.7 million) is expected to be recognized as expenses. The remaining balance of RMB16.8 million (equivalent to HK\$20.7 million) will be deferred and set off against the share premium account upon completion of the Global Offering.

### Key Balance Sheet Information

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	121,346	173,467	178,257	177,813
Current assets	115,802	187,388	200,835	211,433
Current liabilities	61,640	109,061	124,550	232,245
Net current assets (liabilities)	54,162	78,327	76,285	(20,812)
Total assets less current liabilities	<u>175,508</u>	<u>251,794</u>	<u>254,542</u>	<u>157,001</u>
Total equity	175,508	251,794	246,542	147,001
Non-current liability	—	—	8,000	10,000
Total equity and non-current liability	<u>175,508</u>	<u>251,794</u>	<u>254,542</u>	<u>157,001</u>

### Key Cash Flows Statement Information

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash from operating activities	46,479	66,337	80,967	3,799	102,436
Net cash used in investing activities	(22,296)	(60,702)	(11,783)	(2,263)	(3,073)
Net cash from (used in) financing activities	26,073	(8,259)	(77,893)	(27,499)	(65,706)
Net increase (decrease) in cash and cash equivalents	50,256	(2,624)	(8,709)	(25,963)	33,657
Cash and cash equivalents at beginning of the year/period	2,277	52,533	49,909	49,909	41,200
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	<u>52,533</u>	<u>49,909</u>	<u>41,200</u>	<u>23,946</u>	<u>74,857</u>

### Indebtedness

During the Track Record Period, all of our bank borrowings were short-term loans to fund our working capital. As of the Latest Practicable Indebtedness Date, we had total bank borrowings of RMB60 million. We obtained a bank borrowing of RMB50 million on December 4, 2012 to fund our working capital. As we have gradually increased our production volume and maintained a high or full utilization rate since June 2012, we expect to generate more cash from our expanded operation scale. After taking into account of the net proceeds from the Global Offering and the pre-IPO investment by Richwise Capital, our future requirement for bank borrowings to finance our working capital will depend on our business need from time to time.

As of October 31, 2012, we had a shareholder loan in the amount of RMB110 million incurred in connection with our Reorganization, which was unsecured and interest-free. Such loan was repaid in December 2012 from our cash reserves and cash flows generated from our operations.



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### Sensitivity Analysis

A decrease in utilization rate of our integrated production system would directly reduce our actual production volume of silver ingots and negatively impact our revenue and results of operations. The following table shows the impact on our revenue as a result of the increase/decrease in the utilization rate of our integrated production system for our silver ingot in two different scenarios, assuming all other factors remain the same, for the periods indicated:

<u>Increase/decrease in utilization rate of our integrated production system for our silver ingot</u>	<u>Increase/ decrease in revenue for 2009</u>	<u>Increase/ decrease in revenue for 2010</u>	<u>Increase/ decrease in revenue for 2011</u>	<u>Increase/ decrease in revenue for the six months ended June 30, 2012</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
5.0% .....	40,830	66,773	108,965	90,288
10.0% .....	81,659	133,546	217,930	180,575

The following breakeven analysis shows (i) the minimum utilization rates of our silver production; and (ii) the minimum sales volume of our silver ingots to cover our fixed costs for the periods indicated:

	<u>Year ended December 31, 2009</u>	<u>Year ended December 31, 2010</u>	<u>Year ended December 31, 2011</u>	<u>Six months ended June 30, 2012</u>
Minimum utilization rate of our silver production .....	14.1%	11.4%	14.4%	23.4%*
Minimum sales volume of our silver ingots (tonnes) .....	35.2	28.6	36.1	58.4**

\* This is annualized rate. In computing the annualized utilization rate, the minimum production volume was multiplied by two.

\*\* Annualized figure, representing the minimum sales volume for the half year times two.

Our results of operations are directly affected by fluctuations on the selling price of our silver ingots. Our production cycle is currently approximately one to two months. Any change in the silver market price during the production cycle will have an impact on our revenue and therefore, affect our gross profit margin. During the Track Record Period, the maximum fluctuation in the China Domestic Silver Price for a two-month period was approximately 35% and the absolute average fluctuation in the China Domestic Silver Price for a two-month period was approximately 10%. The following table shows our revenue and gross profit as a result of increase/decrease in the average selling price of our silver ingot in these two different scenarios, assuming all other factors remain the same, for the periods indicated:

<u>Increase/decrease in the average selling price of our silver ingot</u>	<u>Increase/ decrease in revenue and gross profit for 2009</u>	<u>Increase/ decrease in revenue and gross profit for 2010</u>	<u>Increase/ decrease in revenue and gross profit for 2011</u>	<u>Increase/ decrease in revenue and gross profit for the six months ended June 30, 2012</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
10.0% .....	25,599	40,252	71,945	46,852
35.0% .....	89,597	140,881	251,807	163,983

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An increase in the prices of our principal raw materials would negatively impact our gross profit margins if we were not able to transfer the increased cost resulting from such price increase through increases in the selling prices of our silver ingot and other products. The following table shows the increase/decrease in our cost of raw materials consumed in the 10% and 35% fluctuation scenarios, assuming all other factors remain the same, for the periods indicated:

<u>Increase/decrease in average purchase price of our principal raw materials</u>	<u>Increase/ decrease in cost of raw materials consumed for 2009</u>	<u>Increase/ decrease in cost of raw materials consumed for 2010</u>	<u>Increase/ decrease in cost of raw materials consumed for 2011</u>	<u>Increase/decrease in cost of raw materials consumed for the six months ended June 30, 2012</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
10.0% .....	20,540	37,814	75,648	50,998
35.0% .....	71,891	132,349	264,768	178,492

### RECENT MARKET AND FINANCIAL DEVELOPMENT

According to CRU, for the ten months ended October 31, 2012, China's domestic silver production was 10,520 tonnes representing an increase of 13.5% as compared with the same period in 2011, primarily due to an increase in the number of domestic miners engaged in silver production.

The monthly average China Domestic Silver Price had declined from RMB7,041 per kilogram for February 2012 to RMB5,798 per kilogram for July 2012; it has recovered to RMB6,990 per kilogram for November 2012 as a result of the adoption of the quantitative easing measures by the U.S. Federal Reserve in mid-September 2012, including maintaining low interest rate for a considerable long period of time (currently anticipated through mid-2015). The overall increasing trend of silver price from July 2012 to November 2012 has improved our profitability and working capital.

Based on our unaudited condensed consolidated financial statements for the ten months ended October 31, 2012 which have been reviewed by the Reporting Accountants, our revenue increased by 48.7% from RMB826.9 million for the ten months ended October 31, 2011 to RMB1,229.5 million for the ten months ended October 31, 2012, primarily due to the increase in sales revenue of our silver ingots resulting from an increase in our utilization rate as our production technologies and techniques became more stable and developed, and the increased working capital from our operation and the pre-IPO investment. From June 2012 onwards, we have achieved a high or full utilization of our designed production capacity.

Our average selling price of silver ingot, lead ingot, bismuth ingot and antimony ingot for the ten months ended October 31, 2012 were RMB5.5 million, RMB12,900, RMB111,300 and RMB64,300 per tonne, respectively, which was comparable to the corresponding average selling price of RMB5.4 million, RMB13,000, RMB117,700 and RMB67,400 for the six months ended June 30, 2012.

Our gross profit increased by 27.7% from RMB170.3 million for the ten months ended October 31, 2011 to RMB217.5 million for the ten months ended October 31, 2012 and our overall gross profit margin decreased to 17.7% from 20.6% for the same period. As the U.S. Federal Reserve adopted the quantitative easing measures in mid-September 2012, the global commodity prices such as gold and silver have rebounded. Subsequent to June 30, 2012 and up to October 31, 2012 following the upward trend of non-ferrous metal prices in the international market, China's domestic non-ferrous metal prices have increased accordingly. Our gross profit margin for silver ingot and lead ingot was 7.4% for the ten months ended October 31, 2012, as compared to 9.0% for

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## SUMMARY

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the same period in 2011. Our gross profit margin for other non-ferrous metals was 96.3% for the ten months ended October 31, 2012, as compared to 96.0% for the same period in 2011. Our net profit increased while our net profit margin for the ten months ended October 31, 2012 decreased as compared to the same period in 2011, primarily due to a decrease in our gross profit margin as explained above, and partially due to the listing expenses of RMB18.6 million recognized during the ten months ended October 31, 2012.

### OFFERING STATISTICS

Market capitalization at Listing: . . . . . HK\$1,041 million to HK\$1,482 million

Offer size: . . . . . Initially 18% (excluding Shares to be offered pursuant to the exercise of the Over-allotment Option) of the enlarged issued capital of our Company

Over-allotment Option: . . . . . Up to 15% of the Shares initially being offered under the Global Offering

Offer Price per Share: . . . . . HK\$1.18 to HK\$1.68 per Share

Board lot: . . . . . 2,000 Shares

Offering structure: . . . . . 10% Hong Kong Public Offering and 90% International Offering (subject to adjustment and the Over-allotment Option)

Selling Shareholder: . . . . . Best Conduct, a BVI company wholly owned by Richwise Capital, to offer for sale of 26,480,000 Sale Shares under the International Offering. Please see the section headed “Structure Of The Global Offering — International Offering” for further discussion.

Use of proceeds (assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.43 per Offer Share (being the mid-point of the indicative price range of the Offer Price): . . . . . We expect to receive the net proceeds of approximately HK\$134.4 million from the Global Offering, which we plan to use to expand our production capacity, including approximately (i) HK\$58.4 million to construct new production units, and (ii) HK\$76.0 million to purchase additional production machineries and equipment (including HK\$4.9 million to purchase production machineries and equipment in connection with the gold production plant).

## SUMMARY

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

	Audited combined net tangible assets of our Group as at June 30, 2012	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of our Group	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$1.18 per Share .....	141,152	82,292	223,444	0.28	0.34
Based on an Offer Price of HK\$1.68 per Share .....	141,152	136,029	277,181	0.34	0.42

*Note:* Please see “Appendix II — Unaudited Pro Forma Financial Information” in this prospectus for further details regarding the assumptions used and the calculation method.

### PROFIT FORECAST SENSITIVITY ANALYSIS

We believe that on the bases and assumptions as set forth in Appendix III to this prospectus, and in the absence of unforeseen circumstances, our consolidated profit for the year ending December 31, 2012 is expected to be not less than RMB152.6 million. The profit forecast has been prepared by our Directors based on our audited combined financial information for the six months ended June 30, 2012, our unaudited management accounts for the four months ended October 31, 2012 and the forecast of our results for the remaining two months ending December 31, 2012.

Our profit forecast is most sensitive to future changes in the movements of silver price in China. A change in utilization rate of our integrated production system would directly affect our production volume of silver ingots and impact our revenue and results of operation. The following sensitivity analysis shows the impact on our revenue as a result of the increase/decrease in the utilization rate of our integrated production system for our silver ingot for the two months ending December 31, 2012 in two different scenarios, assuming all other factors remain the same:

Increase/decrease in utilization rate of our integrated production system for our silver ingot for the two months ending December 31, 2012	Increase/decrease in revenue RMB'000
5.0% .....	15,076
10.0% .....	30,152

The following breakeven analysis shows (i) the minimum utilization rate of our silver production and (ii) the minimum sales volume of our silver ingots to cover our fixed costs for the year ending December 31, 2012, excluding the one-off listing expenses of approximately RMB27.7 million:

Minimum utilization rate of silver production .....	20.9%
Minimum sales volume of silver ingots (tonnes) .....	52.4

During the Track Record Period, the maximum fluctuation in the China Domestic Silver Price for a two-month period was approximately 35% and the absolute average fluctuation in the China Domestic Silver Price for a two-month period was approximately 10%.

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## SUMMARY

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The following table provides a sensitivity analysis showing the impact on our revenue and gross profit as a result of the increase/decrease in the China Domestic Silver Price in the two-month period ending December 31, 2012 in these two different scenarios, assuming all other factors remain the same:

<u>Increase/decrease in the China Domestic Silver Price for the two months ending December 31, 2012</u>	<u>Increase/decrease in revenue and gross profit for the year ending December 31, 2012</u>
	<u>RMB'000</u>
10.0% .....	22,170
35.0% .....	77,597

The following table provides a sensitivity analysis showing the increase/decrease in our cost of raw materials consumed as a result of the increase/decrease in the average purchase price of our raw materials in the two-month period ending December 31, 2012 in the 10% and 35% fluctuation scenarios, assuming all other factors remain the same:

<u>Increase/decrease in average purchase price of raw materials for the two months ending December 31, 2012</u>	<u>Increase/decrease in cost of raw materials consumed for the year ending December 31, 2012</u>
	<u>RMB'000</u>
10.0% .....	22,527
35.0% .....	78,843

### DIVIDEND POLICY

After completion of the Global Offering, our Shareholders will be entitled to receive dividends declared by us. The declaration of future dividends is subject to the discretion of our Board and our constitutional documents and the Cayman Companies Law, including the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time.

We do not expect to declare further dividends in respect of the year ending December 31, 2012. Subject to the above policy, we intend to recommend annually in subsequent years for the foreseeable future a dividend distribution of 20% to 30% of our distributable profit for the year. Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.