中國白銀集團
CHINA SILVER GROUP

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 815

ANNUAL REPORT 2013

A Century for Silver

Contents

Corporate Information

Executive directors
Chen Wantian (陳萬天)
Song Guosheng (宋國生)
Chen Guoyu (陳國裕)

Independent non-executive directors
Jiang Tao (姜濤)
Li Haitao (李海濤)
Zeng Yilong (曾一龍)

Audit committee
Zeng Yilong (Chairman)
Jiang Tao
Li Haitao

Remuneration committee
Li Haitao (Chairman)
Chen Wantian
Jiang Tao

Nomination committee
Chen Wantian (Chairman)
Jiang Tao
Li Haitao

Company secretary
Moy Yee Wo, Matthew (梅以和), *HKICPA*

Authorised representatives
Chen Wantian
Moy Yee Wo, Matthew

Cayman Islands share registrar and transfer office
Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Hong Kong share registrar
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre,
183 Queen's Road East
Wanchai, Hong Kong

Registered office
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters in the PRC
Western Industrial Park
Yongfeng County
Ji An City
Jiangxi Province
PRC

Place of business in Hong Kong
18/F, United Centre
95 Queensway
Admiralty
Hong Kong

Company's website
www.chinasilver.hk

Place of listing and stock code
The Stock Exchange of Hong Kong Limited
815

Principal bankers
Bank of Ganzhou
Agricultural Bank of China

Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants

Legal advisors
Hong Kong law:
Stephenson Harwood

Cayman Islands law:
Conyers Dill & Pearman (Cayman) Limited

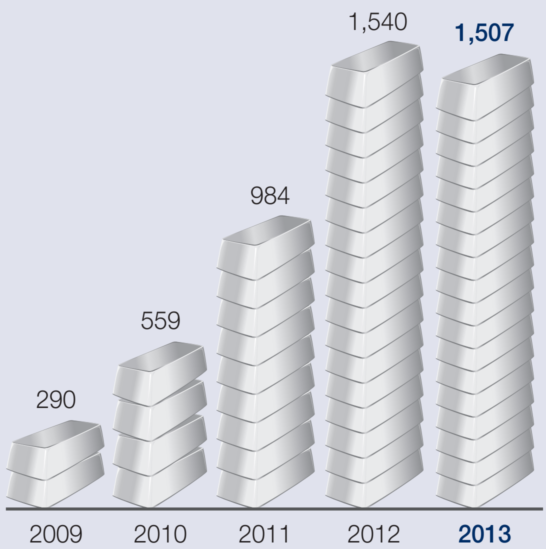
Compliance Advisor
CCB International Capital Limited

Investors and media relations
Hill and Knowlton Strategies

Financial Highlights

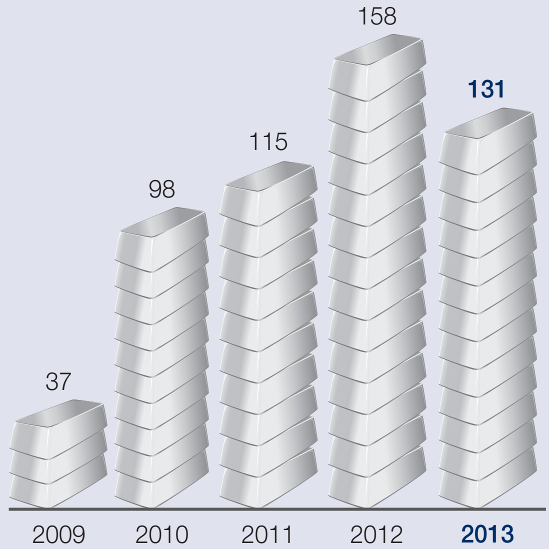
Revenue

RMB million



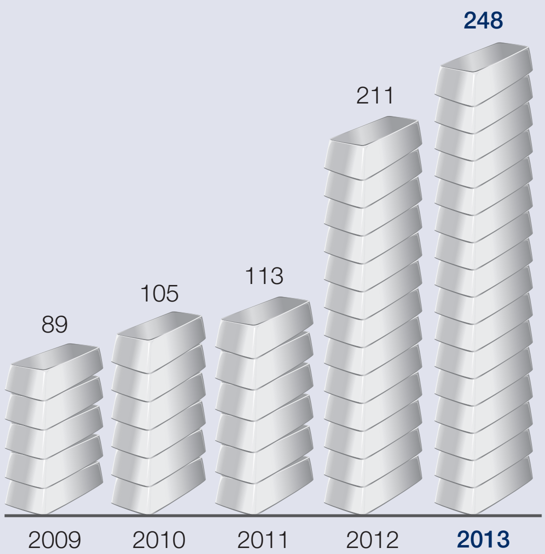
Profit for the Year

RMB million



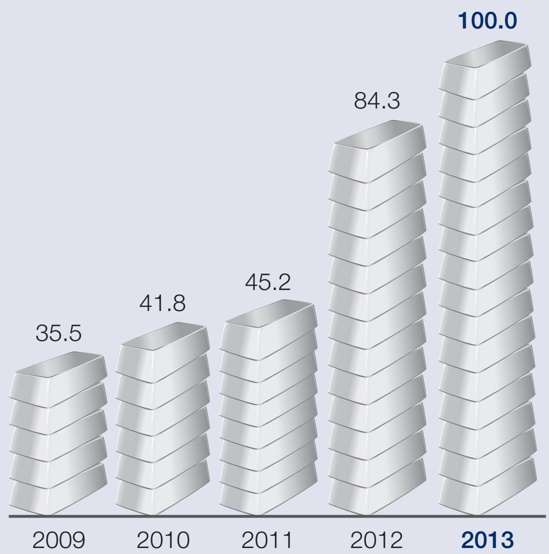
Sales Volume of Silver Ingots

Tonne



Utilisation Rate of Production Capacity

Percentage



Chairman's Statement

The year 2013 was a challenging yet fruitful year for the Group.

First of all, under the backdrop of a slowing Chinese economy and a significant retreat in the international silver price that worked against us, our consolidated revenue decreased slightly by 2.1% to RMB1,507 million for the year ended 31 December 2013. During the year, although we achieved full utilisation of our production capacity and sold a record volume of 248 tonnes of silver ingots, the gain was offset by the decrease in the average selling price of silver ingots.

While the commodity prices generally experienced downward pressure in 2013, our overall margin suffered. Our consolidated margin dropped from 18.1% in 2012 to 14.7% in 2013. As the financial market showed signs of stabilization with the international silver price staying above USD20 per ounce in the latter half of 2013, we are hopeful that our margin will return to normal level in the foreseeable future.

Despite all the difficulties that we faced, as the Chinese says "opportunities arise amid challenges", we are excited to see some interesting market opportunities arising in the silver sector.

More specifically, the retreat in gold and silver prices has triggered strong demand among local consumers. In April 2013, a notable gold buying frenzy had developed among the PRC consumers. Riding on the sustained growth in China's consumption power, we believe it is the perfect time for the Group to leverage our existing establishment to tap into the massive silver retail market in the PRC.

During the year, we conducted some trial sales of silver jewellery and received an overwhelmingly positive response. In January 2014, we officially launched our proprietary e-commerce platform, www.CSmall.cn, which is the first-ever professional online sales platform of its kind in the PRC. CSmall not only will showcase our own silver jewellery products, but will also invite other quality third party brands to join. We aim to build a fully integrated online sales platform for silver products in China. At the same time, we are developing several channels to tap into different segment in the downstream silver market. We aim to diversify our income streams and consolidate our market leadership in China's silver industry.

Market review

The global commodity market remained volatile in 2013.

The graph below shows the change in the domestic market price (value-added tax ("**VAT**") inclusive) of No.1 international silver quoted on the Shanghai White Platinum & Silver Exchange, China's officially designated silver exchange, throughout 2013:

Due to concerns over the tapering measures taken by the US Federal Reserve, silver price retreated from RMB6,440 per kg (VAT inclusive) by the end of January 2013 to RMB3,770 per kg (VAT inclusive) by the end of June 2013, representing a decrease of 41.5%. As the financial market showed signs of recovery in the second half of 2013, silver price subsequently stabilized at around RMB4,000 per kg (VAT inclusive).

Business review

Manufacturing business

Despite market volatility in the macro-environment, the Group managed to withstand rough tides and achieved an encouraging result.

For the year ended 31 December 2013, the Group's revenue reached approximately RMB1,507 million (2012: RMB1,540 million), representing a slight decrease of approximately 2.1% from the previous year. Profit attributable to owners of the Company was approximately RMB131 million (2012: RMB158 million), representing a decrease of approximately 16.7% from the previous year.

Our key product, silver ingot under our popular Longtianyong brand, continues to be our major source of revenue, representing approximately 67.7% of our total revenue. We are the only company listed in Hong Kong to enjoy such a high percentage of revenue generated from sales of silver ingots.

We applied a proprietary production model to manufacture high quality silver and other non-ferrous metals which have commercial value. During the year, we achieved full utilisation in our current capacity and sold a record volume of 248 tonnes of silver ingots.

In addition, we continued to spend great effort in improving our production efficiency. We reduced our inventory turnover days from 46 days in 2012 to 41 days in 2013 by further reducing our inventory of raw materials and shortening our production lead time to manage risks.

The manufacturing business will continue to contribute stable cashflow and serve as a solid foundation for the Group to grow.

Retail business

In China, silver traditionally carries strong symbolic meaning to the people. The word silver is synonymous with cash in Chinese. As such, silver is a precious metal that is highly suitable for processing into jewellery adornment, both for storage of wealth and fashion.

The absence of influential silver jewellery brands in the China market presents a valuable opportunity for the Group to expand its silver business. As the only professional silver producer in China listed in Hong Kong, the Group will leverage its advantage in the upstream silver production business and its leading position in the industry to establish a professional silver jewellery brand.

During the year, we did some trial sales of silver jewellery to test the market, and the response was exceptionally good. As the business achieved an operating margin higher than our manufacturing business , we foresee that the new business can add substantial value to the Group.

In January 2014, we officially launched our one-of-a-kind e-commerce platform, www.CSmall.cn. This is our first strategic move to tap into the downstream market. We also partnered with famous third-party sales platforms, such as Tmall and JingDong. Furthermore, we entered into strategic partnerships with several banks to deliver our silver investment products through their banking platforms.

Apart from online channels, we are simultaneously developing various offline sales channels. We are building a 2,000 square meter exhibition hall in Shuibei, Shenzhen, to showcase our silver products. Shuibei is currently the largest jewellery trading center in China. We will work with experienced distributors to deliver our products through retail shops and shopping mall counters.

The Group will adopt a multi-brand strategy which carries a series of brands targeting different market segments. We will build our own design team and manufacture our silver jewellery products for better control quality.

To ensure success in the retail business, the Group successfully invited two industry veterans, Mr. Kuang Yiping, Karl and Mr. Zhang Jinpeng, to join us. Mr. Kuang is well-known for his expertise and experience in brand management, marketing and promotion in the jewellery industry, and has previously served as brand and marketing consultant at several famous jewellery companies such as Batar, Sinojewel and Xingguangda Jewelry. Mr. Zhang was the vice president of Zbird.com, one of the top jewellery e-commerce brands in China. He also worked at well-known international and local jewellery companies, namely Emperor Watch and Jewelry in Hong Kong, as well as Hiersun and TianPo Jewelry. The management team's extensive experience in China's jewellery and e-commerce sector will strengthen the Group's capability in developing a retail business to tap the enormous opportunities in China's silver jewellery retail and e-commerce market.

To date, the progress in the development of our retail business has been encouraging. We expect the retail business to contribute a significant portion to our overall results in the coming future.

Prospects

Looking ahead, we are very confident about the future of the silver market in China.

We will continue to expand our production capacity in silver ingots. In order to support the new retail business, we decided to strategically reallocate our resources and reduce our expansion target for silver ingots from the previous target of 650 tonnes per annum to 450 tonnes per annum in 2015.

As discussed above, we will develop several channels to tap into the silver retail market in China. We expect the retail business to become a significant contributor of the Group in the foreseeable future.

Furthermore, we will continue to look for suitable merger and acquisition opportunities. That said, we are not in a hurry, and will proceed only if we think that such opportunities fit into our plan well with good potential in return.

We set our sights high since listing. We are determined to become one of the leading integrated silver producers in the world.

Chen Wantian
Chairman

Hong Kong, 11 March 2014

Management Discussion and Analysis

REVENUE

The revenue of the Group for the year ended 31 December 2013 was approximately RMB1,507 million (2012: RMB1,540 million), representing a decrease of approximately 2.1% from that of last year. The Group's revenue is primarily derived from the sale of our major product, silver ingot, which accounted for 67.7% (2012: 75.2%) of our total revenue. During the production process of silver ingot, we also recover and refine other metal by-products such as lead ingot, bismuth ingot and antimony ingot. Apart from that, we also sold silver jewellery during the year.

The revenue breakdown by product categories is set out in the table below:

	Year ended 31 December			
	2013		2012	
	Revenue (RMB'000)	**% of revenue**	Revenue (RMB'000)	% of revenue
Manufacturing				
Silver ingot	**1,020,063**	**67.7%**	1,157,574	75.2%
Lead ingot	**243,819**	**16.2%**	206,679	13.4%
Bismuth ingot	**105,500**	**7.0%**	93,754	6.1%
Antimony ingot	**63,200**	**4.2%**	60,399	3.9%
Others	**47,294**	**3.1%**	21,633	1.4%
	1,479,876	**98.2%**	1,540,039	100%
Retail				
Silver jewellery	**27,087**	**1.8%**	–	–
Total	**1,506,963**	**100%**	1,540,039	100%

Sales of silver ingot decreased slightly from RMB1,158 million to RMB1,020 million for the year ended 31 December 2013, representing a decrease of RMB138 million, or 11.9%, from that of last year. The decrease was the net result of the increase in sales volume from 211 tonnes to 248 tonnes and the decrease in the average selling price of RMB5.5 million per tonne (VAT exclusive) to RMB4.1 million (VAT exclusive) per tonne. The drop in the average selling price was primarily due to concerns over the tapering measures taken by the US government.

Since metal by-products such as lead ingot, bismuth ingot and antimony ingot are produced during the production of our silver ingot, the increase in the sales volume of the by-products was in line with that of our silver ingot. However, the increase was also partially offset by the general decline in the average selling prices of the by-products caused by the uncertain outlook of the global economy.

Sales of silver jewellery was a new business initiative developed during the year. We aimed to test the response of the downstream market before the official launch of our online sales retail platform.

COST OF SALES, GROSS PROFIT AND GROSS PROFIT MARGIN

Our cost of sales mainly includes the cost of raw materials consumed, direct labor and manufacturing overhead. Cost of raw materials consumed accounted for approximately 95% of our cost of sales. The purchase price of raw material is determined by the content levels of silver and lead at market prices at the time of purchase; other types of minerals or metals are not taken into account when determining the purchase price.

We recorded a gross profit of RMB222 million (2012: RMB279 million) for the year ended 31 December 2013, representing a decrease of 20.4% as compared to that of last year. The decrease in gross profit was mainly due to the decrease in average selling price of silver ingots.

Gross profit margin dropped from 18.1% to 14.7% was due to the decrease in commodity prices as discussed above.

OTHER GAINS AND LOSSES

The amount primarily consists of loss on disposal of property, plant and equipment and net exchange loss.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 33.2% from RMB20.4 million to RMB27.1 million for the year ended 31 December 2013. The increase was mainly due to the additional staff costs and legal costs in association with the expansion of new business and the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 28 December 2012 (the "Listing").

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses primarily consist of transportation costs and staff costs.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses decreased by approximately 56.4% from RMB4.7 million to RMB2.1 million mainly due to the completion of the non-recurring research projects during the year.

LISTING EXPENSES

Listing expenses represent expenses incurred for the Listing and were non-recurring in nature.

FINANCE COSTS

Finance costs increased by approximately 26.4% to approximately RMB7.9 million primarily due to the increase in average bank borrowing to support our new business.

INCOME TAX EXPENSE

Income tax expenses decreased by approximately 22.3% to RMB48.8 million due to the decrease in profit before tax. The effective tax rate remained stable.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company decreased from RMB158 million for the year ended 31 December 2012 to RMB131 million for the year ended 31 December 2013 primarily due to the reasons as discussed above. Net profit margin dropped from 10.2% to 8.7% mainly due to the drop in gross profit margin.

INVENTORIES, TRADE RECEIVABLES AND PAYABLES TURNOVER CYCLE

The Group's inventories mainly comprise raw materials of ore powder and smelting slag. For the year ended 31 December 2013, inventory turnover days were approximately 41.0 days (2012: 46.4 days). The inventory turnover days were shortened due to the continual improvement of operational efficiency.

The turnover days for trade receivables for the year ended 31 December 2013 were approximately 2.1 days (2012: 2.1 days). The Group generally requires customers to prepay 60% to 90% of the purchase price of the products before delivery. The balance will normally be settled within 10 days after delivery. As a result, the Group did not have significant balance of trade receivables.

The turnover days for trade payables were approximately 5.3 days (2012: 3.6 days). The suppliers generally required the Group to prepay 30-50% of the purchase price of our raw materials prior to delivery, with the balance to be settled within one month after delivery.

BORROWINGS

As of 31 December 2013, the Group's bank borrowings balance amounted to RMB130 million (As of 31 December 2012: RMB110 million). The amounts are carried at fixed interest rates and will be due for repayment within one year.

The Group's net gearing ratio was calculated on the basis of total bank borrowings less bank balances and cash and pledged bank deposit as a percentage of shareholder equity. As of 31 December 2013, the Group is in a net cash position with a net gearing ratio of -50.7% (2012: -28.4%). The increase in cash was mainly due to the net cash inflow from operation.

PLEDGE OF ASSETS

As of 31 December 2013, the Group pledged property ownership rights in respect of buildings, land use rights, inventories and bank deposit with total carrying value of RMB71.0 million, RMB11.4 million, RMB85.0 million and RMB20.0 million respectively, (As of 31 December 2012: RMB62.4 million, RMB11.7 million, RMB82.1 million and nil) to secure the general banking facilities or bank borrowings granted to the Group.

CAPITAL EXPENDITURES

For the year ended 31 December 2013, the Group invested RMB53.9 million (2012: RMB16.3 million) in the purchase of property, plant and equipment and acquisition of an intangible asset.

EMPLOYEES

As at 31 December 2013, the Group employed 698 staff (2012: 668 staff) and the total remuneration for the year ended 31 December 2013 amounted to approximately RMB41.7 million (2012: RMB34.2 million). The Group's remuneration packages are in line with the current legislation in the relevant jurisdictions, the experience and qualifications of individual employees and general market conditions. Bonuses are linked to the Group's financial results as well as to individual performance. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the year under review. The Group was principally financed by internal resources and bank borrowings. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and bank borrowings. As at 31 December 2013, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB381 million (2012: RMB222 million), RMB336 million (2012: RMB234 million) and RMB545 million (2012: RMB404 million), respectively. As at 31 December 2013, the Group had bank borrowings amounting to RMB130 million (2012: RMB110 million).

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

During the year, the Group did not hold any significant investment or carried out any material acquisition and disposal.

DIVIDEND

The Board has resolved to recommend payment of a final dividend for the year ended 31 December 2013 of HK$0.03 per share (For the year ended 31 December 2012: nil), totalling HK$27.2 million (approximately RMB21.4 million), which is subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Thursday, 29 May 2014. It is expected that the final dividend will be paid on or about 11 July 2014 to shareholders whose names appear on the register of members of the Company on 6 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) From 27 May 2014 to 29 May 2014 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 26 May 2014 for registration of transfer.

(ii) From 9 June 2014 to 11 June 2014 (both days inclusive), during which period no transfer of shares will be effected. In order to establish entitlement to the proposed final dividend (payable on or about 11 July 2014), all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 6 June 2014 for registration of transfer.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chen Wantian (陳萬天), aged 40, is the chairman, the chief executive officer, and an executive Director of the Company. He is a co-founder of the Group and was appointed to the Board on July 19, 2012. Mr. Chen Wantian has over ten years of experience in the nonferrous metal mining and processing industry. Since May 2002, Mr. Chen Wantian has served as director and deputy general manager of Longtianyong Nonferrous Metals. He is responsible for the overall corporate strategies, management, planning and business development of the Group.

As at 31 December 2013, Mr. Chen Wantian had an interest in the shares of the Company, the details of which are set out in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Report of the Directors contained in this annual report.

Mr. Song Guosheng (宋國生), aged 51, is the vice president and an executive Director of the Company. Mr. Song joined the Group in 2002 and was appointed to the Board on August 16, 2012. Mr. Song has approximately 18 years of experience in the production management in the non-ferrous metallurgical industry. He is responsible for production management of the Group.

Mr. Song graduated from Suzhou University of Science and Technology Trade Unions (蘇州職工科技大學) in July 2004 with a diploma of business management.

Mr. Chen Guoyu (陳國裕), aged 65, is the vice president and an executive Director of the Company. Mr. Chen joined the Group in 2011 and was appointed to the Board on August 16, 2012. He is responsible for strategic and development planning, management and human resources development of the Group.

Mr. Chen graduated at Zhejiang University (浙江大學) with a master's degree in philosophy.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Jiang Tao (姜濤), aged 50, was appointed as an independent non-executive Director on December 5, 2012. Dr. Jiang has more than 20 years of experience in mineral processing and chemical metallurgy study and research. He is the dean of the School of Minerals Processing and Bioengineering at Central South University (中南大學).

Dr. Jiang obtained his bachelor's degree, master's degree and doctoral degree in Engineering at Central South University (中南大學) in 1983, 1986 and 1990 respectively.

Dr. Li Haitao (李海濤), aged 44, was appointed as an independent non-executive Director on December 5, 2012. Dr. Li has extensive research experience in the areas of hedging, derivatives and risk management. Dr. Li is currently appointed as Dean's Distinguished Chair Professor of Finance and Associate Dean of MBA Program at the Cheung Kong Graduate School of Business.

Dr. Li undertook the Ph.D program in geophysics at Yale University between 1991 and 1992. He received his Ph.D in finance from Yale University in 1998.

Dr. Zeng Yilong (曾一龍), aged 42, was appointed as an independent non-executive Director on December 5, 2012. Dr. Zeng has over 18 years of experience in accounting, auditing and financial management. Dr. Zeng is the vice chief accountant of Datang Telecom Technology & Industry Group (大唐電信科技產業集團), a state-owned enterprise principally engaged in the production of high technology electronic information system components.

Dr. Zeng obtained his master's degree in Business Administration and a doctoral degree in Business Administration (Accounting) from Xiamen University (廈門大學) in July 2000 and December 2006, respectively.

SENIOR MANAGEMENT

Mr. Moy Yee Wo, Matthew (梅以和), aged 34, is the chief financial officer and company secretary of the Company. Mr. Moy joined the Group in 2012 and is responsible for the supervision of financial management, investor relations and company secretarial functions of the Company. Mr. Moy has over 10 years of experience in the financial industry.

Mr. Moy graduated with a bachelor's degree in business administration in accounting and obtained a master's degree in business administration at the Hong Kong University of Science and Technology. Mr. Moy is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Jiang Pengzhan (姜鵬展), aged 34, is the chief financial officer of Longtianyong Nonferrous Metals. Mr. Jiang joined the Group in 2007 and is responsible for the financial management of our operating subsidiary in the PRC. He has over eight years of experience in audit, accounting and management.

Mr. Jiang obtained a bachelor degree in management from Sun Yat-sen University (中山大學) in 2001. He is a member of The Chinese Institute of Certified Public Accountants.

Mr. Lu Chaohui (盧潮輝), aged 39, is the secretary of the Board. Mr. Lu joined the Group in 2011 and is responsible for the handling of secretarial and administrative functions.

Mr. Lu obtained a bachelor's degree and a master's degree in economics from Xiamen University (廈門大學) in 1996 and 2001, respectively. He completed a board secretary qualification training programme at Shanghai Stock Exchange in 2005.

Corporate Governance Report

CODE OF CORPORATE GOVERNANCE PRACTICE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. Save for the deviation disclosed in this report, the Company has complied with the code provisions as set out in the Code for the year ended 31 December 2013. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Code.

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 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry to all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code for the year ended 31 December 2013.

BOARD OF DIRECTORS

(i) Board Composition

As at the date of this annual report, the board of Directors ("Board") comprised a combination of three executive Directors and three independent non-executive Directors as follows:

Executive directors
Mr. Chen Wantian (Chairman)
Mr. Song Guosheng
Mr. Chen Guoyu

Independent non-executive directors
Dr. Jiang Tao
Dr. Li Haitao
Dr. Zeng Yilong

To the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

Pursuant to code provision A.2.1 of the Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. Chen Wantian currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and efficiently. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

The executive Directors, with assistance from the senior management, form the core management team of the Company. The executive Directors have the overall responsibility of formulating the business strategies and development plan of the Group and the senior management are responsible for supervising and executing the plans of the Company and its subsidiaries.

(ii) Board Functions and Duties

The principal functions and duties conferred to the Board include:

- convening general meetings and reporting the Board's work at general meetings;
- implementing resolutions passed by the Shareholders in general meetings;
- deciding on business plans and investment plans;
- preparing annual financial budgets and final reports;
- formulating proposals for profit distributions, recovery of losses and for increases or reductions in the registered capital; and
- exercising other powers, functions and duties conferred by Shareholders in general meetings.

(iii) Management Functions and Duties

The management is responsible for implementing the strategies and plans adopted by the Board. Executive Directors and management personnel meet regularly to review the performance of the business of the Group as a whole, co-ordinate overall resources and make financial and operational decisions.

(iv) Board Meetings

During the period under review, there were four board meetings held, at which the Directors approved, among other things, the annual result of the Group for the year ended 31 December 2013.

Prior notices convening the board meeting were despatched to the Directors at least 14 days before the board meetings setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved to enable the Directors to make informed decisions. The company secretary of the Company had been responsible for ensuring the procedures of the board meetings are observed and keeping minutes for the board meetings which were sent to the Directors for records and are open for inspection at any reasonable time by any Director on reasonable notice.

(v) Attendance Record

The following is the attendance record of the board meeting held by the Board:

Executive directors	Attendance at meetings
Mr. Chen Wantian (Chairman)	4/4
Mr. Song Guosheng	4/4
Mr. Chen Guoyu	4/4

Independent non-executive directors	Attendance at meetings
Dr. Jiang Tao	4/4
Dr. Li Haitao	4/4
Dr. Zeng Yilong	4/4

(vi) Independent Non-executive Directors

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experiences and qualifications to carry out their duties so as to protect the interests of the Shareholders. Among the three independent non-executive directors, one of them have appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has also received a written annual confirmation from each of the independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmations, considers that all independent non-executive Directors are independent with reference to the factors stated in the Listing Rules.

(vii) Appointment and Re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the Listing Date, which is terminable by not less than three months' notice in writing.

Under Code provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years commencing from the Listing Date, which is terminable by not less than three months' notice in writing.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the articles of association of the Company (the "Articles"), all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles. The nomination committee of the Company is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

(viii) Directors' Remuneration

The remuneration committee of the Company makes recommendations to the Board on the remuneration packages of the Directors and senior management personnel. It is the Company's policy that the remuneration package of each Director and senior management shall be determined by taking reference to, inter alia, their duties, responsibilities, experiences and qualifications.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 5 December 2012 with written terms of reference in compliance with the Code. The Audit Committee comprises all three independent non-executive Directors namely, Dr. Zeng Yilong (Chairman), Dr. Jiang Tao and Dr. Li Haitao. The primary responsibilities of the Audit Committee are to review and supervise financial reporting processes and internal control system of the Group.

During the period under review, the Audit Committee held two meetings. The members of Audit Committee reviewed and discussed with the external auditors of the Company the Group's audited financial statements for the year ended 31 December 2013. They were of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made. Additional meeting may also be held by the Audit Committee from time to time to discuss special projects or other issues which it considers necessary. The external auditors of the Group may request a meeting of the Audit Committee to be convened if they consider that is necessary.

The main duties of the Audit Committee are as follows:

- To consider the appointment of the external auditors, the audit fee, and any question of resignation or dismissal.
- To discuss with the external auditors the nature and scope of the audit.
- To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard.
- To develop and implement policy on the engagement of an external auditors to supply non-audit services.
- To review the Group's interim and annual financial statements before submission to the Board.
- To discuss problems and reservations arising from the interim and final audits and any matters that the external auditors may wish to discuss.
- To review the external auditors' management letter and the management's response.
- To review the Group's statement on internal control system prior to endorsement by the Board.
- To consider the major findings of any internal investigation and the management's response.
- To consider other topics, as defined by the Board.

The following is the attendance record of the committee meetings held by the audit committee.

	Attendance at meetings
Dr. Zeng Yilong (Chairman)	2/2
Dr. Jiang Tao	2/2
Dr. Li Haitao	2/2

AUDITOR'S REMUNERATION

For the year ended 31 December 2013, the total fee paid/payable in respect of audit services to the external auditor of the Group, Deloitte Touche Tohmatsu, was approximately RMB1.4 million. In addition, approximately RMB327,000 was charged for non-audit services.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at general meetings of the Company by the shareholders.

DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare accounts of the Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make informed assessments of the financial and other decisions.

INTERNAL CONTROL

The internal control system has been designed to safeguard the assets of the Company, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the internal control system of the Company.

The Board has carried out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to minimise risk to which the Group is exposed and used as a management tool for the day-to-day operations of our businesses. The system can only provide reasonable but not absolute assurance against misstatements or losses.

The Board is responsible for implementing the internal control system and reviewing its effectiveness. For the year ended 31 December 2013, the Board considered that the internal control system of the Group was adequate and effective.

NOMINATION COMMITTEE

The Company established a nomination committee ("Nomination Committee") 5 December 2012 with written terms of reference in compliance with the Code. Under the recommended best practices A.4.4 of the Code, a majority of the members of the nomination committee should be independent non-executive directors. The Nomination Committee comprised Mr. Chen Wantian (Chairman), Dr. Jiang Tao and Dr. Li Haitao, with the latter two being independent non-executive Directors.

The Nomination Committee considers and recommends to the Board suitably qualified persons to become Directors and is responsible for reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes to the board to complement the Company's corporate strategies.

Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the independent non-executive Directors) are sought. The selection criteria of the qualified candidates are mainly based on assessments of their qualifications, experiences and expertise as well as the requirements under the Listing Rules. The Nomination Committee selects and recommends candidates for directorship with regards to balancing skills and experiences appropriate to the Group's businesses.

During the period under review, the Nomination Committee held one meeting. The members of Nomination Committee reviewed and discussed the current structure, size and composition of the Board and the remuneration of the senior management.

The following is the attendance record of the committee meetings held by the nomination committee.

	Attendance at meetings
Mr. Chen Wantian (Chairman)	1/1
Dr. Jiang Tao	1/1
Dr. Li Haitao	1/1

REMUNERATION COMMITTEE

The Company established a remuneration committee ("Remuneration Committee") on 5 December 2012 with written terms of reference in compliance with the Code. A majority of the members of the remuneration committee should be independent non-executive directors. The Remuneration Committee comprised Dr. Li Haitao (Chairman), Mr. Chen Wantian and Dr. Jiang Tao in which Dr. Li Haitao and Dr. Jiang Tao are independent non-executive Directors.

The primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the remuneration packages of the Directors and senior management personnel of the Group and to ensure that no Director or any of his associates is involved in deciding his own remuneration.

EMOLUMENT POLICIES

The emolument policies of the Group are formulated on performance of individual employees and on the basis of salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the profitability of the Group, the Group may also distribute discretionary bonuses to its employees as incentives for their contributions to the Group.

During the period under review, the Remuneration Committee held one meeting. The members of Remuneration Committee reviewed and discussed the policies for the remuneration of executive Directors, the performances of executive Directors during the period under review.

The following is the attendance record of the committee meetings held by the Remuneration Committee.

	Attendance at meetings
Dr. Li Haitao (Chairman)	1/1
Mr. Chen Wantian	1/1
Dr. Jiang Tao	1/1

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following various channels:

1. The annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the Directors are available at the annual general meetings of the Company to address shareholders' queries;

2. Separate resolutions are proposed at the general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in the circulars to the shareholders of the Company to facilitate enforcement of shareholders' rights;

3. Interim and annual results are announced as early as possible, to keep shareholders of the Company informed of the Group's performances and operations; and

4. Updated key information of the Group is available on the Company's website to enable shareholders of the Company and investors to have timely access to information about the Group.

THE WAY BY WHICH SHAREHOLDERS CAN CONVENE AN EXTRAORDINARY GENERAL MEETING ("EGM")

The Directors, notwithstanding anything in the Articles shall, on the requisition of shareholders holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company having the right of voting at general meetings of the Company, forthwith proceed duly to convene an EGM.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company Secretary at the Company's principal place of business at 18th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong and may consist of several documents in like form each signed by one or more requisitionists.

The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the EGM.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of two months from the said date.

THE PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

The enquiries must be in writing with contact information of the requisitionists and deposited at the Company Secretary at the Company's principal place of business at 18th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong.

THE PROCEDURES FOR MAKING PROPOSALS AT SHAREHOLDERS' MEETINGS

To put forward proposals at an annual general meeting or EGM, the shareholders should submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's principal place of business at 18th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

Report of the Directors

The directors of our Company (the "Directors") are pleased to report the audited consolidated financial statements of our Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

REORGANISATION AND GLOBAL OFFERING

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 July 2012 under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation, as fully explained in the section of "History, Reorganization and Group Structure" in the prospectus of the Company dated 14 December 2012 (the "Prospectus") in connection with the proposed listing of the Company's shares (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group. The Shares were listed on the Stock Exchange on 28 December 2012 (the "Listing").

PRINCIPAL ACTIVITIES

The principal activity of our Company is investment holding and the Group is principally engaged in the manufacture of silver and other non-ferrous metals for sales in the People's Republic of China (the "PRC").

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38 of this report.

An interim dividend of HK$0.02 per share amounting to HK$18.1 million (approximately RMB14.5 million) was paid during the year ended 31 December 2013.

The Directors recommend the payment of a final dividend of HK$0.03 (2012: nil) per share for the year ended 31 December 2013. Such dividend is subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 29 May 2014.

FIVE YEARS' FINANCIAL SUMMARY

A financial summary of the Group for the last five years are set out on page 88 of this report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$101 million, which are intended to be applied in the manner consistent with that in the Prospectus. According to the plan, approximately 44% of the net proceeds was for construction of new production units and approximately 56% was for purchase of additional production machineries and equipment. As of 31 December 2013, HK$33.5 million of the proceeds from the Listing have not been utilised.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, the Group's sales to its five largest customers accounted for 57.8% (2012: 60.3%) of the Group's total sales.

For the year ended 31 December 2013, the Group's five largest suppliers accounted for 66.8% (2012: 73.0%) of the Group's total purchases.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 27 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year ended 31 December 2013 are set out in page 41 of this report.

As of 31 December 2013, the reserves of our Company available for distribution to shareholders amounted to RMB83,104,000 (2012: RMB79,558,000).

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's article of association, dividends shall be distributed out of the retained profits or other reserve, representing the share premium account of the Company.

BORROWINGS

Details of bank borrowings of the Group as of 31 December 2013 are set out in note 26 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2013 and up to the date of this report were:

Executive Directors:
Mr. Chen Wantian (Chairman and Chief Executive Officer)
Mr. Song Guosheng
Mr. Chen Guoyu

Independent Non-Executive Directors:
Dr. Jiang Tao
Dr. Li Haitao
Dr. Zeng Yilong

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 14 to 15 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT OF NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from each of the independent non-executive Directors and the Company, based on such confirmations, considers such Directors to be independent for the year ended 31 December 2013.

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date of Listing. Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years commencing from the date of Listing. None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2013.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2013.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

The Company has adopted a share option scheme as incentive to eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the directors, chief executive and five highest paid individuals are set out in note 12 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of director	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest in our Company
Mr. Chen Wantian	Beneficial Owner[1]	397,080,000(L)	43.82%

Notes:

1. Mr. Chen Wantian is one of the beneficiaries of the Chen Family Trust and is deemed to be interested in the Shares held by Rich Union Enterprises Limited.

2. "L" denotes long position.

Save as disclosed above, as at 31 December 2013, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2013 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders required to be kept by our Company under Section 336 of Part XV of the SFO shows that as of 31 December 2013, in addition to the interests disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", our Company was notified of the following substantial shareholders' interests and short positions in the Shares and underlying Shares, being interests of 5% or more.

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Best Conduct Investments Limited	Beneficial interest[1]	123,520,000	13.63%
Richwise Capital Group Ltd	Interest in controlled corporation[1]	123,520,000	13.63%
Mr. Shi Jinlei	Interest in controlled corporation[1]	123,520,000	13.63%
Easy Eight Limited	Beneficial interest[2]	93,840,000	10.36%
Easy Eight Guernsey Limited	Interest in controlled corporation[2]	93,840,000	10.36%
Market Vectors Junior Gold Miners ETF	Beneficial interest[3]	52,880,000	5.84%

Note 1: Richwise Capital Group Ltd is deemed to be interested in the Shares owned by Best Conduct Investments Limited as the legal owner of the entire issued share capital of Best Conduct Investments Limited. Mr. Shi Jinlei owns 70% of the entire issued share capital of Richwise Capital Group Ltd.

Note 2: Easy Eight Guernsey Limited is deemed to be interested in the Shares owned by Easy Eight Limited as the legal owner of the entire issued share capital of Easy Eight Limited. Easy Eight Guernsey Limited is controlled by Credit Suisse Trust Limited which is the trustee of the WWY Trust.

Note 3: Market Vectors Junior Gold Miners ETF is an exchange traded fund on the New York Stock Exchange managed by Van Eck Associates Corporation.

Except as disclosed above, as at 31 December 2013, our Company has not been notified by any person or corporation who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by our Company under Section 336 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF OUR COMPANY

For the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders.

NON-COMPETITION UNDERTAKING

As disclosed in the Prospectus, each of Mr. Chen Wantian, Ms. Zhou Peizhen and Rich Union Enterprises Limited (the "Controlling Shareholders") has executed a deed of noncompetition through which they have irrevocably and unconditionally warranted and undertaken to the Company not to, whether directly or indirectly or as principal or agent, and whether on his/her/its own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any subsidiary of the Company), (a) directly or indirectly engage, participate or hold any right or interest in or otherwise be involved in any business in competition with or likely to be in competition with our existing business activity or any principal business activity of any member of the Group or be in competition with us in any business activities which we may undertake in the future (the "Restricted Business") save for (i) the holding of not more than 5% shareholding interests (individually or any of the Controlling Shareholders with their associates collectively) in any listed company in Hong Kong; or (ii) the holding of shares in any listed company in Hong Kong where the Restricted Business conducted or engaged in by such company accounts for less than 10% of the relevant company's consolidated turnover or consolidated assets, or (iii) where the Controlling Shareholders are already, directly or indirectly, interested or invested in the operations of companies which are engaging in Restricted Business and details of which have been specifically disclosed in the Prospectus, or (b) take any direct or indirect action which constitutes an interference with or a disruption to our business activities including, but not limited to, solicitation of our customers, suppliers or staff.

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this annual report for the year ended 31 December 2013.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this report, as of 31 December 2013, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CONNECTED TRANSACTION

For the year ended 31 December 2013, the Group had not entered into any connected transactions nor continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 5 December 2012.

1. Purpose

The purpose of the Share Option Scheme is to reward participants who have contributed to our Group and to encourage participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and its Shareholders as a whole.

2. Participants

The Board are authorised, at their discretion, to grant options to subscribe the shares of the Company to, any Directors or any employees (full-time and part-time) of the Company or any consultants of any member of our Group whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

3. Maximum number of Shares

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as of the Listing Date, i.e. 88,236,000 Shares.

4. Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

5. Offer period and amount payable for options

An offer of the grant of an option shall remain open for acceptance by the eligible person concerned for a period of 28 days from the offer date provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme. An option shall be deemed to have been granted and accepted by the eligible person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the option duly signed by the grantee together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an option must be accepted by the relevant eligible person, being a date not later than 28 days after the offer date. Such remittance shall in no circumstances be refundable.

To the extent that the offer of the grant of an option is not accepted by the acceptance date, it will be deemed to have been irrevocably declined.

6. Minimum period for which an option must be held before it can be exercised

The Board may in its absolute discretion set a minimum period for which an option must be held and performance targets that must be achieved before an option can be exercised.

7. Basis of determining the subscription price

The subscription price shall be determined by our Board in its absolute discretion but in any event shall not be less than the higher of:

(i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a business day;

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of the Shares.

8. Life of the Share Option Scheme

Subject to the terms of this Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Scheme.

Details of the share options granted under the Share Option Scheme during the year ended 31 December 2013 are as follows:

Name	Date of Grant	Exercise price per Share[(1)]	Exercise period[(2)]	Outstanding as at 5 December 2012 and 1 January 2013	Granted during the year ended 31 December 2013	Outstanding as at 31 December 2013
Directors						
Mr. Chen Wantian	3 July 2013	HK$0.96	3 July 2013 – 2 July 2023	–	3,500,000	3,500,000
Mr. Song Guosheng	3 July 2013	HK$0.96	3 July 2013 – 2 July 2023	–	1,500,000	1,500,000
Employees						
In aggregate	3 July 2013	HK$0.96	3 July 2013 – 2 July 2023	–	7,000,000	7,000,000
Total				–	12,000,000	12,000,000

The total number of shares available for issue under the Share Option Scheme is 12,000,000, representing 1.32% of the Company's issued share capital as at the date of this annual report.

Saved as disclosed above, no share options granted under the Share Option Scheme were exercised, lapsed or cancelled during the year ended 31 December 2013.

Notes:

(1) The closing price per share immediately before 3 July 2013 (the date on which the share options was granted) was HK$0.95.

(2) Share options granted under the Share Option Scheme on 3 July 2013 are exercisable during the period from 3 July 2014 to 2 July 2023 in three batches, being:

- 3 July 2014 to 2 July 2023 (up to 30% of the share options granted are exercisable)
- 3 July 2015 to 2 July 2023 (up to 60% of the share options granted are exercisable)
- 3 July 2016 to 2 July 2023 (all share options granted are exercisable)

Further details of the Share Option Scheme are set out in note 30 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year ended 31 December 2013, the Group made charitable and other donations of RMB110,000 (2012: Nil).

EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2013, there were no significant events occurred.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES AND SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct for the year ended 31 December 2013.

CORPORATE GOVERNANCE

The Company is committed to the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 16 to 24 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this report.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as our auditor.

On behalf of the Board
Chen Wantian
Chairman

Hong Kong, 11 March 2014

Deloitte.
德勤

TO THE MEMBERS OF CHINA SILVER GROUP LIMITED
中國白銀集團有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Silver Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 87, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
11 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	**2013** **RMB'000**	2012 RMB'000
Revenue	6	**1,506,963**	1,540,039
Cost of sales		**(1,284,749)**	(1,260,865)
Gross profit		**222,214**	279,174
Other income	7a	**1,139**	274
Other gains and losses	7b	**(4,275)**	(374)
Administrative expenses		**(27,119)**	(20,352)
Selling and distribution expenses		**(1,731)**	(1,331)
Research and development expenses	8	**(2,051)**	(4,709)
Other expenses		**(111)**	(11)
Listing expenses		**–**	(25,834)
Finance costs	9	**(7,943)**	(6,285)
Profit before tax		**180,123**	220,552
Income tax expense	10	**(48,785)**	(62,810)
Profit and total comprehensive income for the year	11	**131,338**	157,742
		RMB	RMB
Earnings per share	14		
Basic		**0.15**	0.22
Diluted		**0.15**	0.22

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**181,365**	142,757
Prepaid lease payments	16	**19,437**	19,872
Intangible asset	17	**5,307**	5,668
Deferred tax asset	18	**2,485**	2,500
		208,594	170,797
CURRENT ASSETS			
Prepaid lease payments	16	**432**	432
Inventories	19	**122,412**	168,672
Trade receivables and prepayments	20	**5,091**	14,009
Trade deposits	21	**978**	11,987
Pledged bank deposit	22	**20,000**	–
Bank balances and cash	22	**381,144**	221,908
		530,057	417,008
CURRENT LIABILITIES			
Trade and other payables	23	**34,618**	47,728
Customer receipts in advance	24	**8,400**	600
Amount due to a related party	25	**12**	–
Income tax payable		**20,728**	25,173
Bank borrowings	26	**129,947**	110,000
		193,705	183,501
NET CURRENT ASSETS		**336,352**	233,507
TOTAL ASSETS LESS CURRENT LIABILITIES		**544,946**	404,304

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	**2013** **RMB'000**	2012 RMB'000
CAPITAL AND RESERVES			
Share capital	27	**7,362**	7,172
Share premium and reserves		**527,644**	387,132
TOTAL EQUITY		**535,006**	394,304
NON-CURRENT LIABILITY			
Deferred income	28	**9,940**	10,000
TOTAL EQUITY AND NON-CURRENT LIABILITY		**544,946**	404,304

The consolidated financial statements on pages 38 to 87 were approved and authorised for issue by the board of directors on 11 March 2014 and are signed on its behalf by:

CHEN WANTIAN
DIRECTOR

SONG GUOSHENG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Paid-in capital/ share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Capital reserve RMB'000 (note i)	Statutory reserve RMB'000 (note ii)	Retained profits RMB'000	Total RMB'000
At 1 January 2012	110,338	–	–	–	29,224	106,980	246,542
Profit and total comprehensive income for the year	–	–	–	–	–	157,742	157,742
Issue of shares by the Company	1	–	–	–	–	–	1
Reorganisation	(110,338)	–	–	32,141	–	–	(78,197)
Capitalisation Issue (note 27(iv))	6,096	(6,096)	–	–	–	–	–
Issue of new shares pursuant to the Global Offering (note 27(v))	1,075	125,879	–	–	–	–	126,954
Shares issue expenses	–	(14,738)	–	–	–	–	(14,738)
Transfer	–	–	–	–	18,476	(18,476)	–
Dividends paid (note 13)	–	–	–	–	–	(44,000)	(44,000)
At 31 December 2012	7,172	105,045	–	32,141	47,700	202,246	394,304
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**131,338**	**131,338**
Recognition of equity-settled share-based payments (note 30)	**–**	**–**	**1,443**	**–**	**–**	**–**	**1,443**
Issue of new shares pursuant to the Over-allotment Option (note 27(vi))	**190**	**22,184**	**–**	**–**	**–**	**–**	**22,374**
Transfer upon deregistration of a subsidiary	**–**	**–**	**–**	**–**	**(91)**	**91**	**–**
Transfer	**–**	**–**	**–**	**–**	**14,289**	**(14,289)**	**–**
Dividends paid (note 13)	**–**	**(14,453)**	**–**	**–**	**–**	**–**	**(14,453)**
At 31 December 2013	**7,362**	**112,776**	**1,443**	**32,141**	**61,898**	**319,386**	**535,006**

Notes:

(i) The capital reserve represents the sum of (a) RMB31,487,000 being the excess of the consideration paid by an independent investor to acquire 10% interest in the Group over the par value of the share capital subscribed; and (b) RMB654,000 being the excess of the share capital of a subsidiary acquired by the Company over the nominal consideration of US$1 paid, as part of the Reorganisation (as defined in note 2).

(ii) According to the relevant laws of the People's Republic of China (the "PRC"), the Group's subsidiaries established in the PRC have to transfer a portion of their profits after taxation to the statutory reserve. The transfer to this reserve must be made before the distribution of a dividend to the equity owners. The reserve can be applied either to set off accumulated losses or to increase capital.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**180,123**	220,552
Adjustments for:		
Amortisation of intangible asset	**361**	332
Bank interest income	**(832)**	(259)
Depreciation of property, plant and equipment	**12,143**	12,381
Finance costs	**7,943**	6,285
Loss on disposal of property, plant and equipment	**2,886**	490
Release of deferred income	**(60)**	–
Release of prepaid lease payments	**435**	428
Share-based payments	**1,443**	–
Operating cash flows before movements in working capital	**204,442**	240,209
Decrease (increase) in inventories	**46,260**	(16,907)
Decrease (increase) in trade receivables and prepayments	**8,918**	(9,523)
Decrease (increase) in trade deposits	**11,009**	(9,230)
Increase in amounts due from related parties	**–**	233
(Decrease) increase in trade and other payables	**(13,110)**	31,953
Increase (decrease) in customer receipts in advance	**7,800**	(1,244)
Increase in amount due to a related party	**12**	–
Cash generated from operations	**265,331**	235,491
Income tax paid	**(53,215)**	(45,068)
NET CASH FROM OPERATING ACTIVITIES	**212,116**	190,423
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(53,852)**	(2,717)
Placement of a pledged bank deposit	**(20,000)**	–
Interest received	**832**	259
Proceeds on disposal of property, plant and equipment	**215**	86
Government grant received	**–**	2,000
Prepayments for leasehold land	**–**	(1,878)
Acquisition of an intangible asset	**–**	(1,200)
NET CASH USED IN INVESTING ACTIVITIES	**(72,805)**	(3,450)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	**2013** **RMB'000**	2012 RMB'000
FINANCING ACTIVITIES			
New bank borrowings raised		**159,947**	110,000
Proceeds from issue of new shares to the public		**22,374**	126,954
Repayment of bank borrowings		**(140,000)**	(100,000)
Dividends paid		**(14,453)**	(44,000)
Interest paid		**(7,943)**	(6,285)
Repayment of consideration payable	34	**–**	(110,000)
Repayment of loan from a controlling shareholder	34	**–**	(110,000)
Shares issue expenses in relation to issue of new shares to the public		**–**	(14,738)
Loan from a controlling shareholder	34	**–**	110,000
Proceeds from issue of shares by China Silver BVI pursuant to the Reorganisation		**–**	31,803
Proceeds from issue of shares by the Company		**–**	1
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**19,925**	(6,265)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**159,236**	180,708
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**221,908**	41,200
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**381,144**	221,908

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 July 2012 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 December 2012 (the "Listing").

The Company's immediate parent is Rich Union Enterprises Limited ("Rich BVI"), a limited liability company incorporated in the British Virgin Islands (the "BVI"), and its ultimate parent is Rich Union Guernsey Limited, a limited liability company incorporated in Guernsey. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. The principal activity of the Company and its subsidiaries (collectively referred to as the "Group") is the manufacture of silver and other non-ferrous metals for sale in the PRC. Details of the principal activities of its subsidiaries are set out in note 38.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. REORGANISATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In the preparation for the Listing, the Group underwent a reorganisation (the "Reorganisation") to rationalise the holding structure of the companies now comprising the Group.

Prior to the Reorganisation, Jiangxi Longtianyong Nonferrous Metals Co., Ltd. ("Longtianyong Nonferrous Metals") was owned by certain individuals, including Mr. Chen Wantian, a director of the Company, and his spouse (collectively the "Longtianyong Shareholders").

The Reorganisation principally involves the following steps:

(i) Incorporation of Rich BVI on 13 July 2010. By 28 March 2012, Rich BVI became the holding company of China Silver Holdings Limited ("China Silver BVI"), China Silver Co., Limited ("China Silver Hong Kong") and Zhejiang Fuyin Silver Co., Ltd. ("Zhejiang Fuyin"). Rich BVI is beneficially owned by the Longtianyong Shareholders. China Silver BVI and China Silver Hong Kong are shell companies acquired by the Group on 1 November 2011 and 14 November 2011 and were incorporated in the BVI and Hong Kong, respectively. Zhejiang Fuyin was established in the PRC on 28 March 2012;

2. REORGANISATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(ii) On 27 April 2012, the Longtianyong Shareholders transferred their equity interests in Longtianyong Nonferrous Metals to Zhejiang Fuyin, whereby a sum of RMB110 million was payable by Zhejiang Fuyin to the Longtianyong Shareholders (note 34);

(iii) On 13 July 2012, an independent investor, Richwise Capital Group Limited ("Richwise Capital") became a 20% shareholder of China Silver BVI by means of (a) subscription of new shares therein to the extent of 10% and (b) acquiring existing shares therein from the Longtiangyong Shareholders to the extent of another 10%, at an aggregate consideration of US$10 million; and

(iv) Interspersing the Company between China Silver BVI and its shareholders on 14 August 2012.

Upon completion of the Reorganisation on 15 August 2012, the Company became a holding company of the companies now comprising the Group.

The consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows which include the results and cash flows of the companies now comprising the Group for the year ended 31 December 2012 have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the year, or since their respective dates of establishment/incorporation where this is a shorter period.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The International Accounting Standards Board has issued a number of new and revised International Accounting Standards ("IASs"), IFRSs, amendments and interpretations ("IFRICs") which are effective for the Group's financial year beginning on 1 January 2013 (hereinafter collectively referred to as the "New IFRSs"). The Group has adopted, for the first time, the New IFRSs in the current year.

The application of the New IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements, except that the Group has retrospectively applied the amendments to IAS 1 "Presentation of Items of Other Comprehensive Income" under which the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[4]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[4]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[4]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[4]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC 21	Levies[4]

1 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 January 2014.
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

The directors of the Company anticipate that the application of the new and revised IFRSs will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its return.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined by the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownerships to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis (see the accounting policy in respect of impairment of tangible and intangible assets below).

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are dealt with as payments to defined contribution scheme where the Group's obligations under the schemes are equivalent to those arising in a defined contributed retirement benefit plan.

Equity-settled share-based payment transactions

Share options granted to directors and employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to directors and employees (Continued)

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 days and observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to a related party and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are disclosed below.

Allowance for inventories

Inventories are valued at the lower of cost and net realisable value. The Group regularly reviews its inventory levels in order to identify slow-moving inventories. When the Group identifies items of inventories which have a market price that is lower than its carrying amount, the Group estimates the amount of write-down of inventories as allowance for inventories.

Estimated allowance for trade receivables

Management regularly reviews the recoverability of trade receivables. Allowance for these receivables is made based on evaluation of collectability and on management's judgment by reference to the estimation of the future cash flows discounted at an effective interest rate to calculate the present value. A considerable amount of judgment is required in assessing the ultimate realisation of these debtors, including their current creditworthiness. If the actual future cash flows were less than expected, allowance may be required.

Estimated useful life of property, plant and equipment

Plant and machinery included in property, plant and equipment are depreciated over their useful economic lives. The assessment of estimated useful lives is a matter of judgment based on the experience of the Group's management, taking into account the factors such as technological progress, conditions of the plant and machinery and changes in market demand. Useful lives are periodically reviewed for continued appropriateness.

6. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture of silver and other non-ferrous metals for sale in the PRC. The Group's chief operating decision maker, being the executive directors of the Group, regularly reviews the revenue analysis by products and the Group's consolidated profit for the year prepared based on the accounting policies set out in note 4 for the purposes of resources allocation and performance assessment. Accordingly, it is not necessary to analyse the Group's revenue, results, assets and liabilities by operating segment.

Geographical information

The Group's revenue is derived from the PRC, based on the location of customers, and all of its non-current assets are located in the PRC, based on the geographical location of assets. Therefore, no geographical information is presented.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Analysis of revenue by products

An analysis of the Group's revenue by products is as follows:

	2013 RMB'000	2012 RMB'000
Silver ingot	**1,020,063**	1,157,574
Lead ingot	**243,819**	206,679
Bismuth ingot	**105,500**	93,754
Antimony ingot	**63,200**	60,399
Non-standard gold	**28,256**	9,536
Silver jewellery	**27,087**	–
Zinc oxide	**18,551**	11,591
Others	**487**	506
	1,506,963	1,540,039

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Group's total revenue is as follows:

	2013 RMB'000	2012 RMB'000
Customer A	**254,580**	377,166
Customer B	**251,520**	292,457
Customer C	**284,015**	276,335

7a. OTHER INCOME

	2013 RMB'000	2012 RMB'000
Bank interest income	**832**	259
Reversal of overprovision of listing expenses	**234**	–
Release of deferred income	**60**	–
Scrap sales	**13**	15
	1,139	274

7b. OTHER GAINS AND LOSSES

	2013 RMB'000	2012 RMB'000
Loss on disposal of property, plant and equipment	**(2,886)**	(490)
Net exchange (loss) gain	**(1,389)**	116
	(4,275)	(374)

8. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses mainly represent expenses for specific research, staff costs and technical consultation fees incurred for the enhancement of production techniques.

9. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on bank borrowings wholly repayable within five years	**7,943**	6,285

10. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
PRC Enterprise Income Tax ("EIT")		
– current year	**48,395**	63,023
– underprovision in respect of prior years	**375**	287
	48,770	63,310
Deferred taxation for the year (note 18)	**15**	(500)
	48,785	62,810

The Group had no assessable profit subject to tax in any jurisdictions other than the PRC for both years.

Under the Law of the PRC on EIT (the "EIT Law") and its related implementation regulations, the Group's PRC subsidiaries are subject to PRC EIT at the statutory rate of 25%.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 RMB'000	2012 RMB'000
Profit before tax	**180,123**	220,552
Tax at the domestic income tax rate of 25%	**45,031**	55,138
Tax effect of expenses not deductible for tax purpose	**3,379**	7,385
Underprovision in respect of prior years	**375**	287
Tax charge for the year	**48,785**	62,810

Under the EIT Law, withholding tax is imposed on dividends payable to non-PRC shareholders which is declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately RMB354.9 million as at 31 December 2013 (2012: RMB230.3 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Details of a deferred tax asset recognised are set out in note 18.

11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2013 **RMB'000**	2012 RMB'000
Profit and total comprehensive income for the year has been arrived at after charging:		
Directors' emoluments (note 12)	**3,738**	2,015
Other staff costs		
– salaries and wages	**30,926**	26,897
– retirement benefit scheme contributions	**6,166**	5,330
– share-based payments, excluding those of directors	**821**	–
Total staff costs	**41,651**	34,242
Auditor's remuneration	**1,356**	1,341
Amortisation of intangible asset	**361**	332
Cost of inventories recognised as expenses	**1,284,749**	1,260,865
Depreciation of property, plant and equipment	**12,143**	12,381
Release of prepaid lease payments	**435**	428
Rental expenses	**477**	27

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and Chief Executive's emoluments

	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended 31 December 2013					
Executive directors					
Mr. Chen Wantian	–	1,040	10	435	1,485
Mr. Song Guosheng	–	871	10	187	1,068
Mr. Chen Guoyu	–	702	–	–	702
	–	2,613	20	622	3,255
Independent non-executive directors					
Dr. Li Haitao	161	–	–	–	161
Dr. Jiang Tao	161	–	–	–	161
Dr. Zeng Yilong	161	–	–	–	161
	483	–	–	–	483
Total	483	2,613	20	622	3,738

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' and Chief Executive's emoluments (Continued)

	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended 31 December 2012					
Executive directors					
Mr. Chen Wantian	–	1,022	8	–	1,030
Mr. Song Guosheng	–	457	8	–	465
Mr. Chen Guoyu	–	516	4	–	520
	–	1,995	20	–	2,015
Independent non-executive directors					
Dr. Li Haitao	–	–	–	–	–
Dr. Jiang Tao	–	–	–	–	–
Dr. Zeng Yilong	–	–	–	–	–
	–	–	–	–	–
Total	–	1,995	20	–	2,015

Mr. Chen Wantian, who is also the Chief Executive of the Company, was appointed as an executive director of the Company on 19 July 2012 while Mr. Song Guosheng and Mr. Chen Guoyu were appointed as executive directors of the Company on 16 August 2012. Their emoluments (including those for services rendered by Mr. Chen Wantian as the Chief Executive) before the appointment are also included in the above directors' emoluments tables for presentation.

All the independent non-executive directors were appointed on 5 December 2012.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

The Group's five highest paid individuals for the year ended 31 December 2013 included two (2012: two) directors of the Company. The emoluments of the remaining three (2012: three) individuals are as follows:

	2013 RMB'000	2012 RMB'000
Salaries and allowances	**2,164**	2,215
Share-based payments	**528**	–
Retirement benefit scheme contributions	**31**	22
	2,723	2,237

Their emoluments were within the following bands:

	2013 Number of employees	2012 Number of employees
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**3**	1
	3	3

No emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the both years. None of the directors waived any emolument during both years.

13. DIVIDENDS

In the current year, the Company has declared and paid an interim dividend of HK$0.02 per share amounting to HK$18,124,000 to the owners of the Company. The Company has neither paid nor declared any dividend since its incorporation and prior to that interim dividend.

13. DIVIDENDS (Continued)

Prior to the Reorganisation, Longtianyong Nonferrous Metals paid dividend of RMB44,000,000 to its then equity holders during the year ended 31 December 2012.

	2013 RMB'000	2012 RMB'000
Dividends recognised as distribution	**14,453**	44,000

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2013 of HK$0.03 (2012: Nil) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013 RMB'000	2012 RMB'000
Earnings		
Profit for the year	**131,338**	157,742

	2013 '000	2012 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**905,076**	711,692
Effect of dilutive potential ordinary shares:		
Over-allotment Option granted in relation to the Listing	**161**	37
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**905,237**	711,729

The computation of diluted earnings per share for the year ended 31 December 2013 does not assume the exercise of the Company's share options because the adjusted exercise price of those options calculated in accordance with IAS 33 "Earnings Per Share" was higher than the average market price for shares of the corresponding period.

For the year ended 31 December 2012, the weighted average number of ordinary shares for the purpose of basic earnings per share has been determined assuming the capitalisation issue completed on 28 December 2012 and as detailed in note 27(iv) had taken place on 1 January 2012 and taking into account the effect of acquisition of 10% equity interest in the Group on 13 July 2012 through subscription of new shares by Richwise Capital as detailed in note 2.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST					
At 1 January 2012	97,289	74,258	1,640	6,207	179,394
Additions	8,136	244	37	–	8,417
Disposals	(58)	(659)	(41)	(100)	(858)
At 31 December 2012	105,367	73,843	1,636	6,107	186,953
Additions	37,005	15,522	1,325	–	53,852
Disposals	(156)	(4,348)	(15)	–	(4,519)
At 31 December 2013	142,216	85,017	2,946	6,107	236,286
DEPRECIATION					
At 1 January 2012	12,400	14,444	697	4,556	32,097
Provided for the year	4,910	6,320	306	845	12,381
Disposals	(12)	(169)	(29)	(72)	(282)
At 31 December 2012	17,298	20,595	974	5,329	44,196
Provided for the year	5,003	6,392	423	325	12,143
Disposals	(30)	(1,375)	(13)	–	(1,418)
At 31 December 2013	22,271	25,612	1,384	5,654	54,921
CARRYING VALUES					
At 31 December 2013	119,945	59,405	1,562	453	181,365
At 31 December 2012	88,069	53,248	662	778	142,757

The Group's buildings are erected on land held under medium-term land use rights in the PRC.

The above items of property, plant and equipment are depreciated on a straight-line method, at the following rates per annum:

Buildings	Over 20 years or the term of the relevant land lease, whichever is shorter
Plant and machinery	10%
Office equipment	20%
Motor vehicles	20%

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land interests in the PRC held under medium-term land use rights.

	2013	2012
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Non-current asset	**19,437**	19,872
Current asset	**432**	432
	19,869	20,304

17. INTANGIBLE ASSET

The Group completed the acquisition of an intangible asset from an independent third party during the year ended 31 December 2012 for a consideration of RMB6,000,000. The intangible asset represents a patent for certain production techniques with a registered life up to August 2028. The intangible asset is amortised on a straight-line basis over the remaining useful life, i.e. 16.5 years.

	RMB'000
COST	
At 1 January 2012	–
Addition	6,000
At 31 December 2012 and 2013	6,000
AMORTISATION	
At 1 January 2012	–
Provided for the year	332
At 31 December 2012	332
Provided for the year	361
At 31 December 2013	693
CARRYING VALUE	
At 31 December 2013	5,307
At 31 December 2012	5,668

18. DEFERRED TAX ASSET

The deferred tax asset is attributable to the deferred income as detailed in note 28 and movements thereon during the current and prior years:

	RMB'000
At 1 January 2012	2,000
Credited to profit or loss	500
At 31 December 2012	2,500
Charged to profit or loss	(15)
At 31 December 2013	2,485

19. INVENTORIES

	2013 **RMB'000**	2012 RMB'000
Raw materials	**66,709**	77,963
Work in progress	**51,484**	85,384
Finished goods	**4,219**	5,325
	122,412	168,672

20. TRADE RECEIVABLES AND PREPAYMENTS

	2013 **RMB'000**	2012 RMB'000
Trade receivables	**4,494**	13,162
Prepayments	**597**	847
	5,091	14,009

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on reputation of the customer in the industry. The Group generally grants its customers a credit period of 30 days and requires advance deposits from its customers before delivery of goods.

20. TRADE RECEIVABLES AND PREPAYMENTS (Continued)

The aged analysis of the Group's trade receivables based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates is as follows:

	2013	2012
	RMB'000	RMB'000
0 – 30 days	**4,494**	13,162

The above trade receivables were neither past due nor impaired at the end of the reporting period. These receivables relate to customers that have a good repayment record with the Group.

The Group does not hold any collateral over the above balances, but management considers that no impairment loss is necessary in view of the financial background of these customers and their subsequent repayments.

21. TRADE DEPOSITS

	2013	2012
	RMB'000	RMB'000
Trade deposits paid to suppliers	**978**	11,987

22. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

Pledged bank deposit of the Group represents a deposit pledged to a bank to secure short-term banking facilities granted to the Group and is therefore classified as a current asset.

Bank balances and cash of the Group comprise cash and short-term bank deposits with maturity of three months or less.

The above pledged bank deposit and bank balances carry interest at prevailing market rates as follows:

	2013	2012
Range of interest rates per annum		
Pledged bank deposit	**3.3%**	–
Bank balances	**0.001% – 0.35%**	0.001% – 0.50%

22. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH (Continued)

The above bank balances and cash that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2013 RMB'000	2012 RMB'000
United States dollar	4,435	64
Hong Kong dollar	1,349	111,980
	5,784	112,044

23. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	20,666	16,734
Value-added tax and other taxes payables	4,691	8,904
Listing expenses payables	–	13,500
Other payables and accrued expenses	9,261	8,590
	13,952	30,994
	34,618	47,728

The following is an aged analysis of the Group's trade payables present based on the invoice date at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
0 – 30 days	20,666	16,734

The credit period of purchase of goods ranges from 20 to 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within credit time frame.

24. CUSTOMER RECEIPTS IN ADVANCE

The amounts represent deposits received in advance of delivery of goods to customers.

25. AMOUNT DUE TO A RELATED PARTY

	2013 **RMB'000**	2012 RMB'000
Spouse of Mr. Chen Wantian, who is an executive director of the Company and has a beneficial interest in the Group	**12**	–

The amount represents certain operating expenses paid by the related party on behalf of the Group, and is unsecured, interest-free and repayable on demand.

26. BANK BORROWINGS

	2013 **RMB'000**	2012 RMB'000
Secured bank borrowings carrying interest at fixed rates, repayable within one year and without a repayment on demand clause	**129,947**	110,000

The range of effective interest rates of the Group's bank borrowings (which are also equal to contracted interest rates) during the year are as follows:

	2013	2012
Effective interest rates per annum	**3.96% – 6.60%**	7.50% – 8.20%

The above bank borrowings that are denominated in a currency other than functional currencies of the relevant group entities are set out below:

	2013 **RMB'000**	2012 RMB'000
United States dollar	**19,947**	–

The bank borrowings are secured by the Group's buildings, leasehold land interests, inventories and a bank deposit, details of which are set out in note 33.

27. SHARE CAPITAL

The share capital as at 31 December 2013 represents the issued share capital of the Company, details of which are set out below:

	Number of shares	Share capital	
		HK$'000	RMB'000
Ordinary share of HK$0.01 each:			
Authorised			
On incorporation (note i)	39,000,000	390	316
Additions (note ii)	2,961,000,000	29,610	24,070
At 31 December 2012 and 31 December 2013	3,000,000,000	30,000	24,386
Issued			
On incorporation (note i)	1	–	–
Issued on 19 July 2012 (note iii)	99,999	1	1
Issued on 28 December 2012 (note iv)	749,900,000	7,499	6,096
Issued on 28 December 2012 (note v)	132,360,000	1,324	1,075
At 31 December 2012	882,360,000	8,824	7,172
Issued on 18 January 2013 (note vi)	23,826,000	238	190
At 31 December 2013	906,186,000	9,062	7,362

Notes:

(i) The Company was incorporated on 19 July 2012 with an authorised share capital of HK$390,000 divided into 39,000,000 shares of HK$0.01 each. At the time of incorporation, 1 ordinary share of HK$0.01 was issued at par to the subscriber to provide the initial capital to the Company.

(ii) Pursuant to the resolutions in writing of the shareholders of the Company passed on 5 December 2012, the authorised share capital of the Company was increased from HK$390,000 to HK$30,000,000 by the creation of an additional 2,961,000,000 shares of HK$0.01 each.

(iii) On 19 July 2012, 99,999 ordinary shares of HK$0.01 each were allotted and issued at par to Rich BVI pursuant to the Reorganisation. These new shares rank pari passu with the existing share in all respects.

27. SHARE CAPITAL (Continued)

Notes: (Continued)

(iv) On 28 December 2012 and immediately prior to the Listing, the Company effected a capitalisation issue and allotted and issued a total of 749,900,000 ordinary shares of HK$0.01 each, credited as fully paid at par, to the then existing shareholders of the Company in proportion of their shares held, by way of capitalisation of a sum of HK$7,499,000 (equivalent to RMB6,096,000) standing to the credit of the Company's share premium account (the "Capitalisation Issue"). The new shares rank pari passu in all respects with the existing shares in issue.

(v) On the Listing Date, the Company allotted and issued a total of 132,360,000 new ordinary shares of HK$0.01 each to the public at a price of HK$1.18 per share pursuant to a global offering (the "Global Offering"). These new shares rank pari passu in all respects with the existing shares in issue.

(vi) An over-allotment option as referred to in the prospectus of the Company dated 14 December 2012 (the "Over-allotment Option") was fully exercised on 18 January 2013 which required the Company to issue an aggregate of 23,826,000 additional new ordinary shares at the offer price (i.e. HK$1.18). These new shares rank pari passu in all respects with the existing shares in issue.

28. DEFERRED INCOME

Since 2008, for the purpose of enhancing production efficiency and implementing more environmental friendly production technologies, the Group invested approximately RMB137 million in a project for comprehensive use of scarce metal resources (稀有金屬資源綜合利用項目) in the form of buildings, warehouses, plant and machineries which are classified as property, plant and equipment of the Group (collectively referred to as the "PPE Investment").

The PPE Investment was a qualified project under a government-sponsored scheme and accordingly Jiangxi Development and Reform Commission (江西省發展和改革委員會) has agreed to grant a government subsidy of RMB10,000,000, of which RMB8,000,000 and RMB2,000,000 were received by Longtianyong Nonferrous Metals during the years ended 31 December 2011 and 31 December 2012, respectively. The subsidy will become unconditional and be recognised as income over the useful lives of the related assets upon fulfillment of two conditions as follows:

(i) The amount of PPE Investment would not be less than RMB128 million; and

(ii) Satisfactory final inspection by Jiangxi Development and Reform Commission.

The final inspection by Jiangxi Development and Reform Commission was carried out with a satisfactory result in December 2013. Accordingly, the Group started releasing the amount to income over the useful lives of the related assets since then. During the year ended 31 December 2013, an amount of RMB60,000 (2012: Nil) was transferred to as other income.

29. CAPITAL COMMITMENTS

	2013 RMB'000	2012 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	**142,684**	196,450

30. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 5 December 2012 for the primary purpose of providing incentives to eligible directors and employees, and will expire on 2 July 2023. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 December 2013, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 12,000,000 (2012: Nil), representing 1.32% (2012: Nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by the directors of the Company and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 as consideration.

The 12,000,000 outstanding share options granted on 3 July 2013 with the exercise price of HK$0.96 per share are exercisable during the period from 3 July 2014 to 2 July 2023 in three batches, being:

- 3 July 2014 to 2 July 2023 (up to 30% of the share options granted are exercisable)
- 3 July 2015 to 2 July 2023 (up to 60% of the share options granted are exercisable)
- 3 July 2016 to 2 July 2023 (all share options granted are exercisable)

The closing price of the Company's shares immediately before 3 July 2013, the date of grant, was HK$0.95.

30. SHARE OPTION SCHEME (Continued)

The following table discloses movements of the Company's share options held by directors and employees during the year:

Eligible participants	Outstanding at 5.12.2012 and 1.1.2013	Granted during year	Outstanding at 31.12.2013
Directors	–	5,000,000	5,000,000
Employees	–	7,000,000	7,000,000
	–	12,000,000	12,000,000
Exercisable at the end of the year			–

The estimated fair values of the options granted on 3 July 2013 amounted to RMB5,025,000. These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2013
Weighted average share price	**HK$0.95**
Exercise price	**HK$0.96**
Expected volatility	**55.02%**
Expected life	**10 years**
Risk-free rate	**2.08%**
Expected dividend yield	**0%**

Expected volatility was determined by using the historical volatility of the Company's comparables over the previous 10 years. The expected life used in the model has been developed, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB1,443,000 for the year ended 31 December 2013 (2012: Nil) in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

31. RETIREMENT BENEFIT PLAN

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the local government in the PRC. The Group is required to contribute a specified percentage of the payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this scheme is to make the specified contributions.

The total costs charged to profit or loss are as follows:

	2013 **RMB'000**	2012 RMB'000
Contributions to the retirement benefit plans for the year	**6,186**	5,350

It represents contributions paid or payable to the above schemes by the Group during the year.

32. RELATED AND CONNECTED PARTY DISCLOSURES

(i) Related and connected party transactions

Other than the transactions related to the Reorganisation, the Group entered into the following transactions with a related party, which is also deemed as a connected party pursuant to the Listing Rules:

Name of company	**Nature of transaction**	**2013** **RMB'000**	2012 RMB'000
上海御銀堂珠寶首飾有限公司 (note)	Provision of marketing service	**302**	–
	Purchase of silver ingots	**1,074**	–

Note: This company is owned by the spouse of Mr. Chen Wantian, who is an executive director of the Company and has a beneficial interest in the Group.

(ii) Related party balance

Details of the related party balance are set out in note 25.

32. RELATED AND CONNECTED PARTY DISCLOSURES (Continued)

(iii) Compensation of key management personnel

The emoluments of directors and members of key management of the Group are as follows:

	2013 RMB'000	2012 RMB'000
Short-term benefits	**4,777**	3,950
Post-employment benefits	**60**	50
Share-based payments	**916**	–
	5,753	4,000

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

33. PLEDGE OF ASSETS

At the end of the reporting period, assets with the following carrying amounts were pledged to secure the general banking facilities granted to the Group.

	2013 RMB'000	2012 RMB'000
Buildings	**70,993**	62,374
Prepaid lease payments – land use rights	**11,431**	11,687
Inventories	**84,978**	82,124
Bank deposit	**20,000**	–
	187,402	156,185

34. LOAN FROM A CONTROLLING SHAREHOLDER

Pursuant to the Reorganisation, the Longtianyong Shareholders transferred the entire equity interest in Longtianyong Nonferrous Metals to Zhejiang Fuyin at a total consideration of RMB110 million based on the registered capital of Longtianyong Nonferrous Metals on 27 April 2012. On 19 July 2012, the Group settled the full amount of the consideration payable by obtaining a loan of the same amount from Mr. Chen Wantian, which was unsecured, interest-free and subsequently repaid on 5 December 2012.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the companies comprising the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings as disclosed in note 26, net of cash and cash equivalents and equity, comprising share capital and various reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital, and will take appropriate actions to balance its overall capital structure.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 **RMB'000**	2012 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**405,638**	235,070
Financial liabilities		
Amortised cost	**150,625**	140,234

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, pledged bank deposit, bank balances and cash, trade and other payables, amount due to a related party and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets (i.e. bank balances) and monetary liabilities (i.e. bank borrowings) at the end of the reporting period are as follows:

	Assets		Liabilities	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong dollar	**1,349**	111,980	**–**	–
United States dollar	**4,435**	64	**19,947**	–

The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against RMB. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate.

The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates. A positive/negative number below indicates an increase/a decrease in post-tax profit where the relevant foreign currency strengthens 5% (2012: 5%) against RMB. For a 5% (2012: 5%) weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the post-tax profit.

	Hong Kong dollar		United States dollar	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Post-tax profit	**67**	5,599	**(776)**	3

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate bank deposit (see note 22 for details) and fixed-rate bank borrowings (see note 26 for details).

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances at the end of the reporting period. The analysis is prepared assuming the bank balances outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2012: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2012: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2013 would increase/decrease by RMB717,000 (2012: RMB206,000).

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk in relation to its trade receivables as follows:

	2013	2012
Amount due from the largest debtor as a percentage to total trade receivables	**33%**	76%
Total amount due from the five largest debtors as a percentage to total trade receivables	**98%**	91%

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group has implemented the following procedures to minimise its credit risk:

(i) A delegated team is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

(ii) Because of the nature of the Group's products, the Group generally requires a substantial amount of customer deposit in advance of delivery of goods.

(iii) Management regularly visits the Group's key customers to understand their latest financial position and to ensure that there is no dispute on the amounts due.

(iv) Management reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the directors of the Company consider that the Group's credit risk on trade receivables is significantly reduced. In addition, the Group keeps exploring new customers to diversify and strengthen its customer base and thus, reduce the concentration of credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2013						
Trade and other payables	–	20,666	–	–	20,666	20,666
Amount due to a related party	–	12	–	–	12	12
Bank borrowings – fixed rate	6.20	–	–	137,525	137,525	129,947
		20,678	–	137,525	158,203	150,625
As at 31 December 2012						
Trade and other payables	–	30,234	–	–	30,234	30,234
Bank borrowings – fixed rate	7.69	–	–	116,136	116,136	110,000
		30,234	–	116,136	146,370	140,234

(c) Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with most significant inputs being the discount rate that reflects the credit risk of counterparties.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

37. OPERATING LEASES

Minimum lease payments paid to third parties under operating lease during the year in respect of the Group's rented office premises amounted to RMB477,000 (2012: RMB27,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013 **RMB'000**	2012 RMB'000
Within one year	**843**	8
In the second to fifth years inclusive	**165**	–
	1,008	8

Operating leases payments represent rentals paid or payable by the Group for certain of its offices. Leases are negotiated for terms of one to two years and rentals are fixed during the lease period.

38. PARTICULARS OF SUBSIDIARIES

The Company has equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company 2013	2012	Principal activities	Form of company
Directly owned						
China Silver BVI	The BVI	Ordinary shares US$100,000	**100%**	100%	Investment holding	Limited liability
China Silver Jewellery Group Limited 中國白銀珠寶集團有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	N/A	Investment holding	Limited liability
Shenzhen Guoyintongbao Limited* 深圳國銀通寶有限公司	The PRC	Registered capital RMB50,000,000#	**100%**	N/A	Inactive	Wholly foreign owned

38. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company 2013	2012	Principal activities	Form of company
Indirectly owned						
China Silver Hong Kong 中國白銀有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Investment holding	Limited liability
Zhejiang Fuyin* 浙江富銀白銀有限公司	The PRC	Registered capital US$20,000,000	**100%**	100%	Investment holding and trading of silver ingots	Wholly foreign owned
Longtianyong Nonferrous Metals* 江西龍天勇有色金屬有限公司	The PRC	Registered capital RMB110,000,000	**100%**	100%	Manufacture of silver and non-ferrous metals for sale	Wholly foreign owned
Yongfeng Longtianyong Waste Materials Recycling Co., Ltd.*' 永豐縣龍天勇廢舊物資回收有限公司	The PRC	Registered capital RMB5,000,000	**N/A**	100%	Inactive	Wholly foreign owned
Jiangxi Jiyin Company Limited* 江西吉銀實業有限公司	The PRC	Registered capital US$8,000,000#	**100%**	N/A	Inactive	Wholly foreign owned

* English translated name is for identification only.

\# At 31 December 2013, capital injections to these entities were not yet started.

' This company was deregistered on 9 June 2013.

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year.

40. FINANCIAL POSITION OF THE COMPANY

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSET			
Investments in subsidiaries	(i)	**–**	–
CURRENT ASSETS			
Amounts due from subsidiaries	(ii)	**91,357**	1
Prepayment		**–**	813
Bank balances		**177**	111,370
		91,534	112,184
CURRENT LIABILITIES			
Other payables		**1,068**	14,841
Amount due to a subsidiary	(ii)	**–**	10,613
		1,068	25,454
NET CURRENT ASSETS		**90,466**	86,730
TOTAL ASSETS LESS CURRENT LIABILITIES		**90,466**	86,730
CAPITAL AND RESERVES			
Share capital (note 27)		**7,362**	7,172
Share premium and reserves	(iii)	**83,104**	79,558
TOTAL EQUITY		**90,466**	86,730

Notes:

(i) Investments in subsidiaries

	RMB	RMB
Unlisted investments, at cost	**7**	6

40. FINANCIAL POSITION OF THE COMPANY (Continued)

Notes: (Continued)

(ii) Amounts due from (to) subsidiaries

The amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.

(iii) Movements in share premium and reserves:

	Share premium RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 19 July 2012 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(25,487)	(25,487)
Capitalisation Issue (note 27(iv))	(6,096)	–	–	(6,096)
Issue of new shares pursuant to the Global Offering (note 27(v))	125,879	–	–	125,879
Shares issue expenses	(14,738)	–	–	(14,738)
At 31 December 2012	105,045	–	(25,487)	79,558
Loss and total comprehensive expense for the year	–	–	(5,628)	(5,628)
Issue of new shares pursuant to the Over-allotment Option (note 27(vi))	22,184	–	–	22,184
Recognition of equity-settled share-based payments (note 30)	–	1,443	–	1,443
Dividends paid (note 13)	(14,453)	–	–	(14,453)
At 31 December 2013	112,776	1,443	(31,115)	83,104

RESULTS

	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Revenue	289,727	559,291	984,172	1,540,039	**1,506,963**
Profit before tax	50,885	131,640	154,858	220,552	**180,123**
Income tax expense	(13,754)	(33,354)	(39,448)	(62,810)	**(48,785)**
Profit for the year	37,131	98,286	115,410	157,742	**131,338**

ASSETS AND LIABILITIES

	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Total assets	237,148	360,855	379,092	587,805	**738,651**
Total liabilities	(61,640)	(109,061)	(132,550)	(193,501)	**(203,645)**
Total equity	175,508	251,794	246,542	394,304	**535,006**