中國白銀集團
CHINA SILVER GROUP

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

Interim Report 2014

Go Online,
A New Chapter

www.csmall.com

CONTENTS

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*

Authorized 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

Rm 5A & 6 Floor
Baolin International Gold Jewelry Trade Center, 2nd Building
3 Shuitian Second Street, Shuibei
Louhu District, Shenzhen
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

Agricultural Bank of China
Bank of Ganzhou

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Legal advisors

Hong Kong law:
Stephenson Harwood

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

Investors and media relations

Hill and Knowlton Strategies

Business Review

I am excited to share with you our remarkable progress in the first half of 2014.

Earlier this year, we announced that the Group will enter into the downstream silver retail business in the PRC. During the period, we have successfully launched our proprietary online sales platform and achieved aggregate online sales of approximately RMB62.0 million, representing 9.0% of our total revenue.

Unlike the manufacturing business, online business which provides customers with greater value-added products enjoys considerably higher gross profit margin. Together with the stabilization of the international silver price at around USD20 an ounce during the period, our consolidated gross profit margin saw significant improvement from 12.3% to 23.5%. With the continued growth of the contribution from the online segment, we are confident that the overall gross profit margin will further improve.

The Group's consolidated revenue however decreased to approximately RMB688 million (2013: RMB801 million) as the average market price of silver ingots was lower than that of last period. This adverse effect nevertheless was completely offset by the significant improvement in the gross profit margin.

Profit attributable to owners of the Company rose more than double to approximately RMB134 million, representing a new record for our half-year net profit. The amount already exceeds the full year profit of 2013. Excluding the one-off reversal of income tax expense of approximately RMB19 million, profit attributable to owners of the Company still managed to increase to approximately RMB115 million, representing a remarkable increase of 93.8% as compared to same period last year.

Online Business

As a young retailer, we fully understand the importance of the use of technology and the revolutionary changes brought by the internet. Unlike traditional retailers who rely heavily on offline construction, we are determined to adopt an unconventional model, what we call "offline serving online", to accommodate the fast-changing retail landscape in the PRC.

While we develop different sales channels to promote our downstream products, including silver jewellery and collectibles, all sales orders are directed to and centralized at our proprietary online sales platform, www.CSmall.com. Valuable sales data are further analysed so that we can better understand customers' tastes and improve our future service. We understand that how to better merge business with technology is the key to succeed in the retail market in the future.

During the period, our B2B business sold over 100,000 pieces of silver products while our B2C business recorded a healthy sales growth of 100% per month.

Leveraging the networking effect, we have cooperated with popular online brands, including the number 1 online wedding brand "YiHongZhuang", to cross-sell our products and achieved aggregate cross-sales of approximately RMB8 million.

More recently, we have been working with CCTV shopping channel to promote our self-branded "China Silver investment silver bars" and have immediately rocked the market. We recorded staggering sales of over 100 units within an hour of our debut in May. This product has now become one of the hottest items among TV shoppers in the PRC.

At present, we have roughly 30 franchise outlets providing offline experience, service and support to our online business. Most of them are shopping malls counters located around Yangtze River Delta. We are happy to see that most outlets are now profitable at shop-level, meaning that both the Group and our franchisees are keen to expand further.

Prospects

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

Given our instant success with the CCTV shopping channel, we recently added several TV channels to promote our popular silver investment bars. At present, we have signed with seven of the top ten TV shopping channels in the PRC, four of which have already been selling our products. The aggregate audience coverage in the PRC now reaches 300 million viewers.

Our flagship exhibition hall in Shuibei, Shenzhen, will officially open in September 2014. The 2,000 square meter hall will showcase all of our brands' products and serves as the all-in-one exhibition and experience centre to support our online operation.

We will continue to expand our franchise network and expect to open over 300 outlets in the coming year.

While we continue to spend great effort in upgrading our existing online sales and mobile application platforms, we are also relentless to explore new business initiatives.

In May 2014, we announced that we will partner with several internet veteran investors, mostly with Alibaba background, to develop an online sales platform for gems and jewellery.

We are also considering to add gold products to further enrich our portfolio and are exploring potential to connect our silver business with internet finance.

As disclosed earlier in our 2013 annual report, we strategically delayed the capacity expansion plan to allocate more resources for the development of the downstream business. I am pleased that the construction of new capacity is now largely completed. We plan to gradually increase the new capacity to an annual designed capacity of 450 tonnes of silver ingots by the end of 2016.

In summary, during this period of transformation, I feel blessed to see numerous positive developments in our online business. I firmly believe that the Group is heading towards the right direction at full speed, and that we will become one of the leading silver brands in the world.

Financial Review

Revenue

The revenue of the Group for the six months ended 30 June 2014 was approximately RMB688 million (2013: RMB801 million), representing a decrease of approximately 14.1% from that of last period.

	Six months ended 30 June,			
	2014		2013	
	Revenue (RMB'000)	**% of revenue**	Revenue (RMB'000)	% of revenue
Manufacturing				
Silver ingot	**397,825**	**57.8%**	571,260	71.3%
Other metal by-products	**228,041**	**33.2%**	229,625	28.7%
	625,866	**91.0%**	800,885	100%
Online				
Silver jewellery and collectibles	**62,037**	**9.0%**	–	–
Total	**687,903**	**100%**	800,885	100%

Sales of silver ingot decreased from approximately RMB571 million to approximately RMB398 million for the six months ended 30 June 2014, representing a decrease of 30.4% from that of last period. The decrease was due to both decline in the average selling price and sales volume.

The average selling price of silver ingot decreased from approximately RMB4,613 million (value-added tax exclusive) per tonne to approximately RMB3,531 million (value-added tax exclusive) per tonne due to a drop in the average market price of silver. Sales volume of silver ingot decreased from 125 tonnes to 113 tonnes as a portion of the silver ingots was used for the manufacture of silver jewellery and collectibles in the downstream retail business. The aggregate production volume of silver ingot remained stable.

Other metal by-products such as lead ingot, bismuth ingot and antimony ingot are produced during the production of our silver ingot. Their sales were roughly the same as last period.

During the period, the online segment recorded sales of silver jewellery and collectibles of approximately RMB62.0 million (2013: nil). This business was newly developed during the period.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales mainly represents the cost of raw materials consumed, direct labor and manufacturing overhead. Cost of raw materials consumed accounted for over 90% of cost of sales. The purchase cost of raw materials 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 purchase price. The decrease in cost of sales was mainly due to the decline in the average market price of silver.

We recorded gross profit of approximately RMB161 million (2013: RMB98.6 million) for the six months ended 30 June 2014, an increase of 63.7% as compared to that of last period, mainly due to the significant increase in gross profit margin.

The overall gross profit margin rose from 12.3% to 23.5% due to both the stabilization of the international silver prices during the period and a surge in sales of the high margin online retail business.

Administrative Expenses

Administrative expenses increased by approximately 44.6% from approximately RMB12.1 million to approximately RMB17.5 million for the six months ended 30 June 2014. The increase was mainly due to additional staff hired for the development of the online segment.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 81.6% from approximately RMB0.7 million to approximately RMB1.3 million for the six months ended 30 June 2014 mainly due to the increase in advertising costs.

Research and Development Expenses

Research and development expenses mainly represent research staff costs and remained stable.

Finance Costs

Finance costs were roughly the same as last period as there was no material change in the average bank borrowing balance during the period.

Income Tax Expense

During the period, one of the Group's major subsidiaries was recognized as a High and New Technology Enterprise by the PRC government. The tax rate was reduced from the statutory rate of 25% to a concessionary tax rate of 15%. In addition, due to the rate reduction, an one-off reversal of income tax expense of approximately RMB19 million overprovided last year was also recorded during the period.

Profit Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased from approximately RMB59.4 million for the six months ended 30 June 2013 to approximately RMB134 million for the six months ended 30 June 2014. Net profit margin significantly increased from 7.4% to 19.4% primarily due to the increase in gross profit margin and a reduction in income tax expense.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group's inventories mainly comprise of raw materials of ore powder and smelting slag. For the six months ended 30 June 2014, inventory turnover days were approximately 42.0 days (for the year ended 31 December 2013: 41.0 days) and remained stable.

The turnover days for trade receivables for the six months ended 30 June 2014 were approximately 1.6 days (for the year ended 31 December 2013: 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.

The turnover days for trade payables were approximately 7.2 days (for the year ended 31 December 2013: 5.3 days). We are generally required by our suppliers 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 30 June 2014, the Group's bank borrowings balance amounted to approximately RMB130 million (as of 31 December 2013: RMB130 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 the total bank borrowings less bank balances and cash and pledged bank deposit as a percentage of shareholder equity. As of 30 June 2014, the Group is in a net cash position with a net gearing ratio of -55.3% (as of 31 December 2013: -50.7%).

Pledge of Assets

As of 30 June 2014, the Group pledged property ownership rights in respect of buildings, land use rights, inventories and bank deposit with total carrying value of approximately RMB69.2 million, RMB11.3 million, RMB87.2 million and RMB20.0 million, respectively (as of 31 December 2013: RMB71.0 million, RMB11.4 million, RMB85.0 million and RMB20.0 million) to secure the general banking facilities granted to the Group.

Capital Expenditures

For the six months ended 30 June 2014, the Group invested approximately RMB15.1 million in property, plant and equipment (2013: RMB26.4 million). The amount decreased as the construction work for capacity expansion was substantially completed during the period.

Employees

As of 30 June 2014, the Group employed 778 staff (as of 31 December 2013: 698 staff) and the total remuneration for the six months ended 30 June 2014 amounted to approximately RMB22.8 million (2013: RMB17.4 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 the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. 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 period 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 of 30 June 2014, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately RMB469 million (as of 31 December 2013: RMB381 million), RMB442 million (as of 31 December 2013: RMB336 million) and RMB658 million (as of 31 December 2013: RMB545 million), respectively. As of 30 June 2014, the Group had bank borrowings amounting to approximately RMB130 million (as of 31 December 2013: RMB130 million).

Significant Investment Held, Material Acquisition and Disposal

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

Use of Proceeds from the Listing

The net proceeds from the listing of the Company's share on the main board of the Stock Exchange (the "**Listing**") (after deducting underwriting fees and related expenses) amounted to approximately HK$101 million, which were intended to be applied in the manner consistent with that in the prospectus of the Company dated 14 December 2012. As of 30 June 2014, approximately HK$14.8 million of the proceeds from the Listing has not been utilized.

Interim Dividend

The Board has resolved to declare an interim dividend for the six months ended 30 June 2014 of HK$0.02 per share (2013: HK$0.02 per share). The interim dividend will be payable on or about 7 November 2014 to shareholders whose names appear on the register of members of the Company on 17 October 2014.

Closure of Register of Members

The register of members of the Company will be closed from 15 October 2014 to 17 October 2014 (both days inclusive) during which period no transfer of shares will be registered. In order to establish entitlements to the interim dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch 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, not later than 4:30 p.m. on 14 October 2014.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As of 30 June 2014, 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 (the "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]	400,580,000[2]	44.21%
Mr. Song Guosheng	Beneficial Owner	1,500,000[3]	0.17%

Note 1: Mr. Chen Wantian ("Mr. Chen") 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.

Note 2: Mr. Chen was granted share options to subscribe for 3,500,000 Shares on 3 July 2013, details of which are disclosed under the section headed "Share Option Scheme" below.

Note 3: Mr. Song Guosheng was granted share options to subscribe for 1,500,000 Shares on 3 July 2013, details of which are disclosed under the section headed "Share Option Scheme" below.

Save as disclosed above, as at 30 June 2014, 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.

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 30 June 2014, 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%

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.

Except as disclosed above, as at 30 June 2014, 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 six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Share Option Scheme

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

Details of the share options granted under the Share Option Scheme during the period ended 30 June 2014 are as follows:

Name of Grantees	Date of Grant	Exercise price per Share[1]	Exercise period[2]	Number of shares subject to outstanding options as at 1 January 2014	Number of options granted during the six months ended 30 June 2014	Number of shares subject to outstanding options as at 30 June 2014
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 30 June 2014.

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

Note 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)

Corporate Governance Code

During the six months ended 30 June 2014, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules, except for the following deviations:

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 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.

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 throughout the six months ended 30 June 2014.

Audit Committee

The Company established an audit committee (the "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. Li Haitao and Dr. Jiang Tao. The primary responsibilities of the Audit Committee are to review and supervise financial reporting processes and internal control system of the Group.

The Audit Committee has reviewed the financial reporting processes and internal control system of the Group and discussed with the external auditors of the condensed consolidated financial statements for the six months ended 30 June 2014. The Audit Committee is 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.

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") on 5 December 2012 with written terms of reference in compliance with the Code. The Nomination Committee comprises Mr. Chen (Chairman), Dr. Li Haitao and Dr. Jiang Tao, 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.

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 5 December 2012 with written terms of reference in compliance with the Code. The Remuneration Committee comprises Dr. Li Haitao (Chairman), Mr. Chen 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.

On behalf of the Board
Chen Wantian
Chairman

Hong Kong, 14 August 2014

Deloitte.
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TO THE BOARD OF DIRECTORS OF CHINA SILVER GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of China Silver Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 38, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
		2014	2013
	Notes	**RMB'000**	RMB'000
		(unaudited)	(unaudited)
Revenue	*3*	**687,903**	800,885
Cost of sales		**(526,451)**	(702,276)
Gross profit		**161,452**	98,609
Other income		**1,118**	456
Administrative expenses		**(17,469)**	(12,080)
Selling and distribution expenses		**(1,333)**	(734)
Research and development expenses		**(950)**	(975)
Other losses		**(1,421)**	(1,466)
Other expenses		**(13)**	(100)
Finance costs	*4*	**(4,105)**	(4,161)
Profit before tax		**137,279**	79,549
Income tax expense	*5*	**(3,553)**	(20,104)
Profit and total comprehensive income for the period	*6*	**133,726**	59,445
		RMB	RMB
Earnings per share	*8*		
Basic		**0.148**	0.066
Diluted		**0.148**	0.066

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Notes	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	187,817	181,365
Prepaid lease payments		19,220	19,437
Intangible asset		5,126	5,307
Deferred tax asset		2,396	2,485
Deposits paid for acquisition of property, plant and equipment		1,057	–
Interest in an associate	16, 17(III)	–	–
		215,616	208,594
CURRENT ASSETS			
Prepaid lease payments		432	432
Inventories		127,038	122,412
Trade and other receivables	10	12,773	5,091
Trade deposits		4,160	978
Pledged bank deposit		20,000	20,000
Bank balances and cash		468,972	381,144
		633,375	530,057
CURRENT LIABILITIES			
Trade and other payables	11	58,561	34,630
Customer receipts in advance		770	8,400
Income tax payable		1,458	20,728
Bank borrowings	12	130,103	129,947
		190,892	193,705
NET CURRENT ASSETS		442,483	336,352
TOTAL ASSETS LESS CURRENT LIABILITIES		658,099	544,946

	Note	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	13	**7,362**	7,362
Share premium and reserves		**641,154**	527,644
TOTAL EQUITY		**648,516**	535,006
NON-CURRENT LIABILITY			
Deferred income		**9,583**	9,940
TOTAL EQUITY AND NON-CURRENT LIABILITY		**658,099**	544,946

	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 2013 (audited)	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	–	–	1,443	–	–	–	1,443
Issue of new shares pursuant to the over-allotment option in relation to the Listing *(note 13)*	190	22,184	–	–	–	–	22,374
Transfer upon deregistration of a subsidiary	–	–	–	–	(91)	91	–
Transfer	–	–	–	–	14,289	(14,289)	–
Dividends	–	(14,453)	–	–	–	–	(14,453)
At 31 December 2013 (audited)	**7,362**	**112,776**	**1,443**	**32,141**	**61,898**	**319,386**	**535,006**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**133,726**	**133,726**
Recognition of equity-settled share-based payments	**–**	**–**	**1,426**	**–**	**–**	**–**	**1,426**
Transfer	**–**	**–**	**–**	**–**	**1,851**	**(1,851)**	**–**
Dividends *(note 7)*	**–**	**(21,642)**	**–**	**–**	**–**	**–**	**(21,642)**
At 30 June 2014 (unaudited)	**7,362**	**91,134**	**2,869**	**32,141**	**63,749**	**451,261**	**648,516**

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 group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 December 2012 (the "Listing").

(ii) According to the relevant laws of the People's Republic of China (the "PRC"), the Company'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 transfer can cease when the balance of the reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can be applied either to set off accumulated losses or to increase capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	**105,952**	88,564
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(13,889)**	(26,439)
Deposits paid for acquisition of property, plant and equipment	**(1,057)**	–
Interest received	**749**	276
Proceeds on disposal of property, plant and equipment	**178**	–
NET CASH USED IN INVESTING ACTIVITIES	**(14,019)**	(26,163)
FINANCING ACTIVITIES		
Interest paid	**(4,105)**	(4,161)
New bank borrowings raised	**–**	30,000
Proceeds from issue of new shares pursuant to the over-allotment option in relation to the Listing	**–**	22,374
Repayment of bank borrowings	**–**	(30,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(4,105)**	18,213
NET INCREASE IN CASH AND CASH EQUIVALENTS	**87,828**	80,614
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**381,144**	221,908
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**468,972**	302,522

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the accounting policy for investment in associate and the new or revised International Financial Reporting Standards ("IFRSs") newly adopted by the Group in the current interim period which are disclosed below.

Investment in an associate
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these condensed consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investment in an associate (continued)

Investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 "Financial Instruments: Recognition and Measurement" are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investment in an associate (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's condensed consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Moreover, in the current interim period, the Group has applied, for the first time, a number of new or revised IFRSs that are mandatorily effective for the current interim period. The application of the new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision makers ("CODMs") (i.e. the executive directors of the Company) for the purposes of resource allocation and performance assessment, are as follows:

(i) manufacturing and sales of silver ingots and other non-ferrous metals in the PRC ("Manufacturing segment"); and

(ii) retailing and wholesaling of silver jewellery and collectibles through mainly online platforms in the PRC ("Online segment").

The Group's operating segments also represent its reportable segments.

3. REVENUE AND SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by operating segments:

	Six months ended 30 June 2014					Six months ended 30 June 2013
	Manufacturing segment RMB'000	Online segment RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000	Consolidated RMB'000 *(note)*
Revenue						
External sales	625,866	62,037	687,903	–	687,903	800,885
Inter-segment sales	10,513	–	10,513	(10,513)	–	–
Total segment revenue	636,379	62,037	698,416	(10,513)	687,903	800,885
Results						
Segment results	118,782	28,205	146,987		146,987	86,649
Non-segment items						
Unallocated income, expenses and losses					(5,603)	(3,994)
Finance costs					(4,105)	(3,106)
Profit before tax					137,279	79,549

note: During the current interim period, the Group expanded to online retailing and wholesaling business, through various outsider online sales platforms and its own sales platform as set out in note 16, which constitutes a new reportable segment (i.e. Online segment). As a result, the comparative information for the six months ended 30 June 2013 has been restated to conform with the current period's presentation.

The entire segment revenue and segment results for the six months ended 30 June 2013 were solely contributed by the manufacturing segment.

3. REVENUE AND SEGMENT INFORMATION (Continued)

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.

Analysis of revenue by products

An analysis of revenue by products is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Manufacturing segment		
Silver ingot	**397,825**	571,260
Lead ingot	**119,216**	121,852
Bismuth ingot	**61,557**	54,519
Antimony ingot	**28,455**	32,852
Non-standard gold	**12,809**	10,110
Zinc oxide	**5,760**	10,051
Others	**244**	241
	625,866	800,885
Online segment		
Silver jewellery and collectibles	**62,037**	–
	687,903	800,885

No analysis of segment assets and liabilities is presented because the CODMs do not base on such analysis for resource allocation and performance assessment.

4. FINANCE COSTS

The amount represents interest on bank borrowings wholly repayable within five years.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
PRC Enterprise Income Tax ("EIT")		
– current period	**21,974**	20,536
– overprovision in respect of prior years	**(18,510)**	(432)
	3,464	20,104
Deferred taxation for the period	**89**	–
	3,553	20,104

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

Under the Law of the PRC on EIT (the "EIT Law") and its related implementation regulations, the Company's PRC subsidiaries are subject to PRC EIT at the statutory rate of 25% for both periods, except that one of the major subsidiaries of the Company, Jiangxi Longtianyong Nonferrous Metals Co., Ltd., has been recognised as a High and New Technology Enterprise by the PRC tax authorities on 25 March 2014 such that it is entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2013 and therefore an overprovision in prior year of approximately RMB18.5 million has been recognised in the current interim period.

Under the EIT Law, withholding tax is imposed on dividends payable to non-PRC shareholders when it is declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in these condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately RMB498.8 million as at 30 June 2014 (31 December 2013: RMB354.9 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.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible asset	**181**	181
Cost of inventories recognised as expenses	**526,451**	702,276
Depreciation of property, plant and equipment	**7,149**	6,058
Interest income	**(749)**	(276)
Loss on disposal of property, plant and equipment	**1,310**	–
Net exchange losses	**111**	1,466
Release of deferred income	**(357)**	–
Release of prepaid lease payments	**217**	217

7. DIVIDENDS

During the current interim period, a final dividend of HK$0.03 per share in respect of the year ended 31 December 2013 (six months ended 30 June 2013: Nil in respect of the year ended 31 December 2012) was declared. The aggregate amount of final dividend recognised as distribution but recorded as a payable at the end of the reporting period amounting to RMB21,642,000 (six months ended 30 June 2013: Nil) has been subsequently settled.

Subsequent to 30 June 2014, the directors of the Company have determined that an interim dividend of HK$0.02 per share (six months ended 30 June 2013: HK$0.02 per share) will be paid to the owners of the Company whose names appear in the Register of Members on 17 October 2014.

8. 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:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Earnings		
Profit for the period	**133,726**	59,445
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**906,186**	903,948
Effect of dilutive potential ordinary shares:		
Over-allotment option granted in relation to the Listing	**–**	324
Share options	**107**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**906,293**	904,272

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of RMB15,089,000 (six months ended 30 June 2013: RMB26,439,000) mainly for the expansion of its production scale and enhancement of production efficiency.

10. TRADE AND OTHER RECEIVABLES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade receivables	7,532	4,494
Prepayments	3,585	597
Other receivables	1,656	–
	12,773	5,091

Manufacturing segment

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.

Online segment

The Group generally does not grant a credit period to online customers, except for the wholesale customers which are granted a credit period of 7 days and demanded advance deposit before delivery of goods.

11. TRADE AND OTHER PAYABLES

	30 June 2014 RMB'000	31 December 2013 RMB'000
The amount comprises:		
Trade payables, aged within 30 days	21,092	20,666
Dividend payable	21,642	–
Other payables and accrued expenses	15,827	13,964
	58,561	34,630

The credit periods for purchase of goods and procurement of service for subcontracting processing range from 20 to 30 days. The Group has financial management policies in place to ensure that all payables are settled within credit time frame.

12. BANK BORROWINGS

During the six months ended 30 June 2013, the Group obtained short-term bank borrowings of RMB30,000,000 and made repayments of RMB30,000,000. There was no movement in bank borrowings of the Group during the current interim period.

The bank borrowings carry interest at fixed rates ranging from 3.96% to 6.60% (31 December 2013: 3.96% to 6.60%) per annum. All the bank borrowings were secured by certain of the Group's assets as set out in note 15.

13. SHARE CAPITAL

	Number of shares	Share capital	
		HK$'000	RMB'000
Ordinary share of HK$0.01 each:			
Authorised			
At 1 January 2013, 31 December 2013 and 30 June 2014	3,000,000,000	30,000	24,386
Issued			
At 1 January 2013	882,360,000	8,824	7,172
Issued on 18 January 2013 *(note)*	23,826,000	238	190
At 31 December 2013 and 30 June 2014	906,186,000	9,062	7,362

note: The over-allotment option as referred to in the prospectus of the Company dated 14 December 2012 in relation to the Listing 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.

14. COMMITMENTS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	**36,393**	142,684

In addition, the Group has contractual commitment in respect of capital contribution in a PRC associate amounting to RMB1,800,000 (31 December 2013: Nil). Details of the set up of the associate are set out in notes 16 and 17(III).

15. 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.

	30 June 2014 RMB'000	31 December 2013 RMB'000
Buildings	**69,210**	70,993
Prepaid lease payments – land use rights	**11,303**	11,431
Inventories	**87,155**	84,978
Bank deposit	**20,000**	20,000
	187,668	187,402

16. CONSOLIDATED STRUCTURED ENTITY

PRC laws and regulations restrict foreign investors from owning more than 50% equity interest in any enterprise engaged in value-added telecommunication business (the "Restricted Business").

During the current interim period, the Group decided to step into online retailing and wholesaling business and set up its own online sales platform which is categorised under the Restricted Business. Therefore, 深圳銀瑞吉文化發展有限公司 (the "Structured Entity") was established and under the legal ownership of two independent third parties and a series of agreements (the "Contractual Arrangements") were entered into between the Group and the legal owners on 20 May 2014. The Contractual Arrangements comprised of (i) option agreement, (ii) proxy agreement, (iii) consultancy and services agreement and (iv) share pledge agreement. The directors of the Company, after consulting their legal counsel, are of the view that the Contractual Arrangements are in compliance with existing PRC laws and regulations and are valid, binding and enforceable, and do not result in any violation of PRC laws or regulations currently in effect in all material aspects. The Contractual Arrangements have in substance enabled the Group to exercise full control over and enjoy all economic benefits of the Structured Entity despite the absence of formal legal equity interest held by the Group therein and the legal owners are, in substance, the nominees of the Group. Accordingly, the Structured Entity is accounted for as a consolidated structured entity of the Group.

The Structured Entity is principally engaged in operation of online sales platform in the PRC. In addition, the Structured Entity entered into agreements with three other parties to set up 深圳市大溪地科技有限公司 ("Shenzhen Daxidi") in the PRC. The Structured Entity owns 30% interest in Shenzhen Daxidi and represents the largest shareholder amongst all the shareholders. The directors assessed whether or not the Group has significant influence over Shenzhen Daxidi based on the voting rights of respective shareholders and the Group's ability to influence the relevant activities of Shenzhen Daxidi which are determined at the level of shareholders' meetings and concluded that the Group has significant influence over Shenzhen Daxidi. Accordingly, it is classified as an associate of the Group. The associate is inactive during the current interim period and the Group has yet to contribute its committed capital.

Up to the end of the reporting period, the result derived from the online sales platform operated by the Structured Entity is insignificant to the Group.

17. RELATED AND CONNECTED PARTY DISCLOSURES

(I) Related and connected party transactions

The Group entered into the following transaction with a related party, which is also deemed as a connected party pursuant to the Listing Rules:

Name of company	Nature of transaction	Six months ended 30 June 2014 RMB'000	2013 RMB'000
上海御銀堂珠寶首飾有限公司 *(note)*	Provision of marketing service	–	302

note: This company is owned by the spouse of Mr. Chen Wantian, an executive director of the Company.

(II) Compensation of key management personnel

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

	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Short-term benefits	3,450	2,523
Post-employment benefits	32	14
	3,482	2,537

(III) Connected person transaction

During the current interim period, the Group invested in an associate through the Structured Entity as detailed in note 16. One of the ultimate shareholders of the associate is the substantial shareholder of the Company and thus it is considered as a connected person of the Group pursuant to the Listing Rules. Further details of the transaction are set out in the Company's announcement dated 20 May 2014.