中國白銀集團
CHINA SILVER GROUP

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 815

Invest O2O, Achieve Record Results

Annual Report 2014

www.csmall.com

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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
Rm 5A & 6 Floor
Baolin International Gold 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
Bank of Ganzhou
Agricultural Bank of China

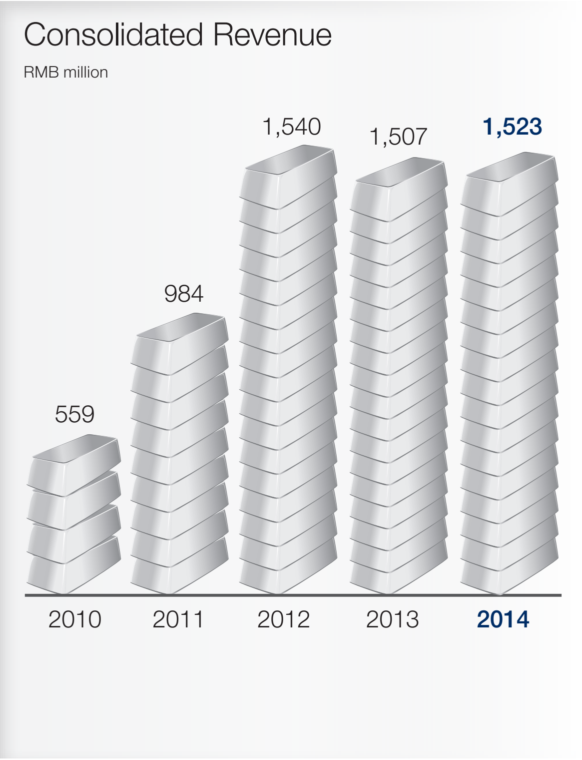
Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants

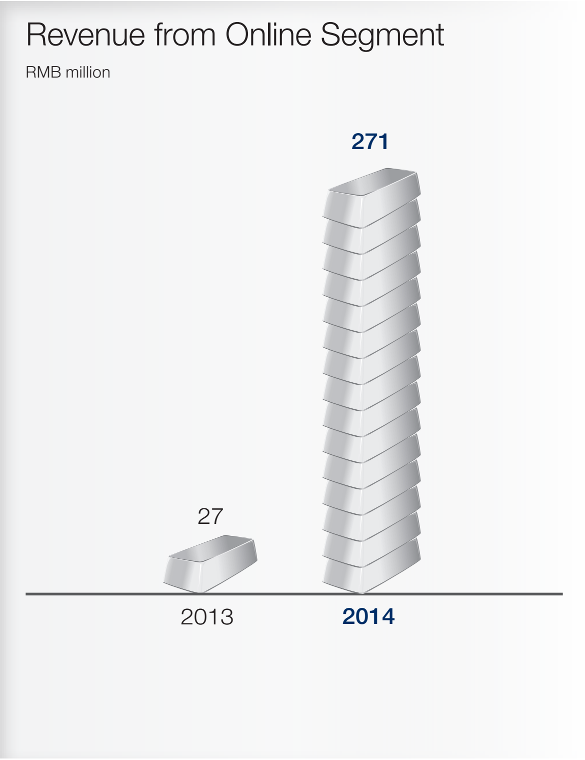
Legal advisors
Hong Kong law:
Stephenson Harwood

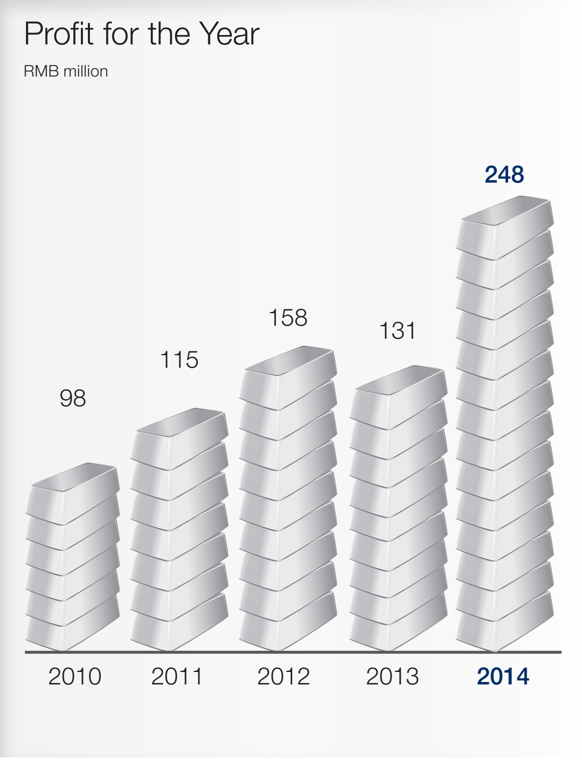
Cayman Islands law:
Conyers Dill & Pearman (Cayman) Limited

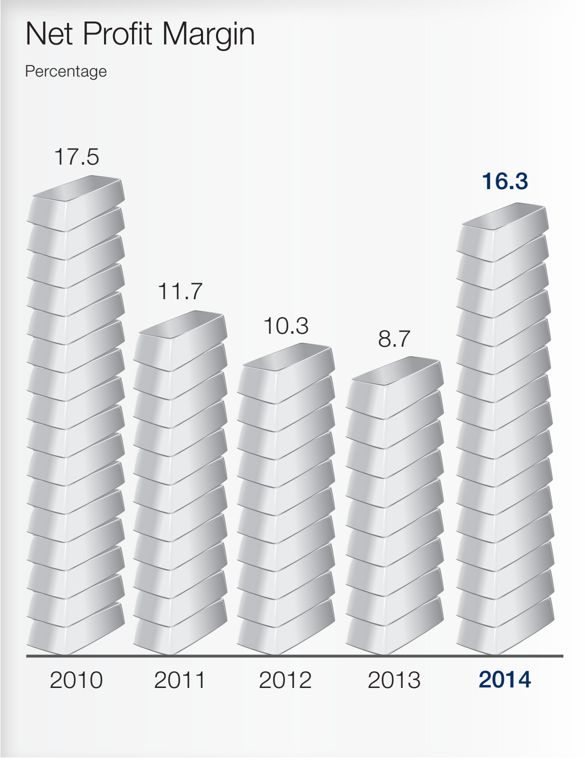
Investors and media relations
Hill and Knowlton Strategies

Financial Highlights









Chairman's Statement

The year 2014 was a milestone for the Group.

In January 2014, the Group decided to enter the downstream silver retail business in the PRC. During 2014, we successfully launched our proprietary online sales platform (www.CSmall.com, "金貓銀貓") and achieved aggregate online sales of RMB271 million, representing 17.8% of our total revenue.

Unlike traditional manufacturing business, online business which provides customers with greater value-added products enjoys considerably higher gross profit margin. As a result, our consolidated gross profit margin saw significant improvement, rising from 14.7% to 22.6%. With the continued growth in contribution from the online segment, we are confident that the overall gross profit margin will further improve.

The Group's consolidated revenue increased slightly to RMB1,523 million (2013: RMB1,507 million) as the increase in revenue from online segment was partially offset by the decrease in the average selling price of silver ingot due to the decrease in the international silver price.

Profit attributable to owners of the Company rose to RMB248 million, representing a record-breaking full-year net profit for the Group. Excluding the one-off reversal of income tax expense of RMB19 million, profit attributable to owners of the Company increased to approximately RMB230 million, representing a remarkable increase of 75.0% as compared to last year.

Manufacturing Business

The global commodity market remained volatile in 2014. 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 2014:

Due to decline in market silver price, the average selling price of our popular Longtianyong silver ingot decreased from RMB4,126 per kg (VAT exclusive) in 2013 to RMB3,434 per kg in 2014, representing a decrease of 16.8%.

We applied a proprietary production model to manufacture high quality silver and other non-ferrous metals. During the year, we sold 219 tonnes of silver ingot to our customers and used 49 tonnes of silver ingot for our online business. Sales volume of other metal by-products remained stable.

While we strategically allocated more resources to develop our fast-growing online business, the manufacturing business will continue to contribute stable cash flow and serves as a solid foundation for the Group to expand.

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 O2O (online to offline) business model, one that we call "Small Window, Big Platform; Little Inventory, Huge Market", to accommodate the fast-changing retailing landscape in the PRC. We understand how to better merge business with technology is the key to succeed in the retail market in the future.

While we develop different sales channels to promote our downstream products, namely silver jewellery and collectibles, all sales orders are directed to and centralized at www.CSmall.com "金貓銀貓", our proprietary online sales platform. Valuable sales data are further analysed so that we can understand customers' habit, improve our future services and better manage inventory. Our proprietary online platform, together with all our offline establishments, will provide a unique O2O shopping experience to our customers.

To give shareholders a better understanding of our business, we further separate the online business into B2B (business-to-business) and B2C (business-to-customer).

B2B (business-to-business)

During the year, we successfully developed several B2B initiatives.

1. **O2O experience outlets**

   At present, we have a total of roughly 50 franchise and self-owned outlets providing offline experience, service and support to our online business. Most of them are shopping mall counters located in the Yangtze River Delta and are profitable at shop-level.

2. **TV channels**

   We worked with TV shopping channels to promote our silver products in the PRC. In May 2014, we rocked the market by launching our self-branded "China Silver investment silver bars" on the CCTV shopping channel and recorded a staggering sales of over 100 units in the first hour. Currently, we are working with a total of 7 TV shopping channels, offering wide coverage to TV audiences and shopaholics throughout China.

3. **Exhibition hall wholesale**

   In September 2014, we officially opened our flagship exhibition hall in Shuibei, Shenzhen. The 2,000 square meter exhibition hall now showcases all of our brands' products and serves as the all-in-one exhibition and experience centre supporting our online operation. It also provides comprehensive wholesale service to our customers.

4. **Big customers**

   Big customers refer to corporate clients and online brands with large-sized orders. For example, we cooperated with the famous online wedding brand "YiHongZhuang" to design silver accessories tailored for their wedding gown series.

B2C (business-to-customer)

1. **www.CSmall.com "金貓銀貓"**

   In January 2014, we officially launched www.CSmall.com "金貓銀貓", our proprietary online sales platform. CSmall "金貓銀貓" aims to become the most comprehensive and integrated sales platform for gold, silver and jewellery products in China. CSmall "金貓銀貓" now features more than 60 self-owned and third party jewellery brands. On 11 November 2014, also known as the Single's Day Festival, CSmall "金貓銀貓" achieved record sales of approximately RMB6 million in one day.

2. **Third party online platforms**

   Apart from developing our own sales platform, we also worked with popular third party platforms such as Tmall and JD to distribute our brand products. All such third party platforms recorded healthy sales growth throughout 2014.

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 added 6 more TV channels to promote our popular silver investment bars. While we continue to add more influential TV channels as our partners, we are also exploring opportunities to promote different types of our silver products to the massive TV audience in the PRC.

We will continue to expand our O2O outlets throughout China. In September 2014, we launched a mass marketing campaign at the Shenzhen International Jewellery Fair, the largest jewellery exhibition in mainland China, and received an overwhelming response from participants from all over China. To date, we have already signed agreements with 11 regional distributors in different provinces and expect to open 300 outlets in 2015.

To enrich the product portfolio, we are introducing gold, amber, gemstone, pearl, diamond, etc., to our flagship exhibition hall in Shuibei. The modern 2,000 square meter hall currently offers the most comprehensive range of jewellery products in Shenzhen and sets a new industry standard.

We will continue to search for and bring in more quality third party jewellery brands to www.CSmall.com "金貓銀貓" and relentlessly upgrade the unique O2O shopping experience we offer to our customers. In late 2014, we launched the CSmall mobile app to timely meet the shift in customers' shopping habit.

While we strive our best to improve our existing channels, we also spend relentless effort to explore new business initiatives:

In February 2015, we partnered with the Chinese New Year blockbuster 3D movie "Zhongkui – Snow Girl and the Dark Crystal" and tailor-made a series of silver investing souvenirs for movie fans and collectors. The event received extensive media coverage and greatly helped to increase our brand awareness.

In March 2015, we formed a joint venture with Shanghai White Platinum & Silver Exchange for setting up the Shanghai Huatong International Silver Exchange, currently the only spot silver trading market in the China (Shanghai) Pilot Free Trade Zone in Pudong. Shanghai Huatong International Silver Exchange will be the first spot silver trading market in China that allows foreign investor to directly participate. It serves to connect domestic and international commodity market and marks an important step towards free trading in future. By investing in Shanghai Huatong International Silver Exchange, we can enter the downstream silver trading market and further strengthen our leading position and brand influence in the silver and precious metal industry in the PRC.

As disclosed in the 2013 annual report, we strategically delayed the capacity expansion plan to allocate more resources to the development of our downstream business. We plan to gradually increase the new capacity to an annual design capacity of 450 tonnes of silver ingots by the end of 2016.

In January 2015, we completed a private placing to two strategic investors to further strengthen our shareholder base. Both Mr. Luo and Mr. Chu are veteran investors in the precious metals industry in China and can bring invaluable knowledge and network to the Group.

As of 31 December 2014, we have net cash of RMB630 million, meaning that we have adequate firepower to do acquisitions. We have been looking at different opportunities in the market and will disclose more details in accordance to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange when appropriate.

In summary, I am happy to see numerous positive signs in our development. Just about a year ago, we took a bold move to tap into downstream. We started a small office in Shenzhen with roughly 10 people and we grew from there. Right now, we have grown into a team of over 250 people, most of whom are post-90s graduates. I feel particularly joy to work with such a young and talented team, which brings creativity and energy to the Group as we commit relentless effort to adapt to the fast-changing Chinese retailing landscape every single day.

I am confident that the Group is heading the right direction at full speed, we aim to become one of the leading silver brands in the world.

Chen Wantian
Chairman

Hong Kong, 16 March 2015

Revenue

The revenue of the Group for the year ended 31 December 2014 was approximately RMB1,523 million (2013: RMB1,507 million), representing a slight increase of approximately 1% from that of last year.

	Year ended 31 December,			
	2014		2013	
	Revenue *(RMB'000)*	**% of revenue**	Revenue *(RMB'000)*	% of revenue
Manufacturing				
Silver ingot	**764,574**	**50.2%**	1,020,063	67.7%
Other metal by-products	**487,180**	**32.0%**	459,813	30.5%
	1,251,754	**82.2%**	1,479,876	98.2%
Online				
Silver jewellery and collectibles	**270,962**	**17.8%**	27,087	1.8%
Total	**1,522,716**	**100%**	1,506,963	100%

Sales of silver ingot decreased from RMB1,020 million to RMB765 million for the year ended 31 December 2014, representing a decrease of 25.0% from that of last year. The decrease was due to decline in both the average selling price and sales volume.

The average selling price of silver ingot decreased from RMB4.1 million (value-added tax exclusive) per tonne to RMB3.4 million per tonne due to a drop in the average market silver price. Sales volume of silver ingot decreased from 248 tonnes to 219 tonnes as a portion of the silver ingots were 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 year.

During 2014, the online segment recorded sales of silver jewellery and collectibles of RMB271 million (2013: RMB27.1 million). This business was developed rapidly during the year.

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 the 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 RMB343 million (2013: RMB222 million) for the year ended 31 December 2014, representing an increase of 54.5% as compared to that of last year, mainly due to the significant increase in gross profit margin.

The overall gross profit margin rose from 14.7% to 22.6% due to a rapid surge in sales of the high margin online retail business and the decrease in volatility of the international silver price during 2014.

Administrative Expenses

Administrative expenses increased by approximately 85.3% from RMB27.1 million to RMB50.3 million for the year ended 31 December 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 372% from RMB1.7 million to RMB8.2 million for the year ended 31 December 2014 mainly due to the increase in advertising costs for the online segment.

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 year as there was no material change in the average bank borrowing balance during the year.

Income Tax Expense

During the year, 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 RMB19 million overprovided last year was also recorded during the year.

Profit Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased from RMB131 million for the year ended 31 December 2013 to RMB248 million for the year ended 31 December 2014. Net profit margin significantly increased from 8.7% to 16.3% 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, smelting slag and silver jewellery. For the year ended 31 December 2014, inventory turnover days were approximately 40.0 days (for the year ended 31 December 2013: 41.0 days) and remained stable.

The turnover days for trade receivables for the year ended 31 December 2014 were approximately 4.8 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 for the year ended 31 December 2014 were approximately 6.5 days (for the year ended 31 December 2013: 5.3 days). We are generally required by our suppliers to prepay 30 to 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 2014, the Group's bank borrowings balance amounted to 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 31 December 2014, the Group is in a net cash position with a net gearing ratio of -83.6% (as of 31 December 2013: -50.7%).

Pledge of Assets

As of 31 December 2014, the Group pledged property ownership rights in respect of buildings, land use rights, inventories and bank deposit with total carrying value of RMB67.4 million, RMB11.1 million, RMB66.9 million and RMB20.1 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 year ended 31 December 2014, the Group invested RMB17.7 million in property, plant and equipment (2013: RMB53.9 million). The amount decreased as the construction work for capacity expansion was substantially completed during the year.

EMPLOYEES

As of 31 December 2014, the Group employed 936 staff (as of 31 December 2014: 698 staff) and the total remuneration for the year ended 31 December 2014 amounted to approximately RMB59.4 million (2013: RMB41.7 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 31 December 2014, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB740 million (as of 31 December 2013: RMB381 million), RMB769 million (as of 31 December 2013: RMB336 million) and RMB978 million (as of 31 December 2013: RMB545 million), respectively. As of 31 December 2014, the Group had bank borrowings amounting to RMB130 million (as of 31 December 2013: RMB130 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 Directors recommend a final dividend for the year ended 31 December 2014 of HK$0.05 (2013: HK$0.03) per share with scrip option. The shareholders will be given an option to elect to receive shares of the Company credited as fully paid in lieu of cash in respect of part or all of the proposed final dividend (the "Scrip Dividend Scheme"). Interim dividend of HK$0.02 (2013: HK$0.02) was declared and paid during the year. Total dividend for the year amounts to HK$0.07 (2013: HK$0.05) per share.

The Scrip Dividend Scheme will be subject to (i) the approval of the proposed final dividend at the annual general meeting to be held on 21 April 2015 (the "Annual General Meeting"); and (ii) the Stock Exchange granting the listing of and permission to deal in the new shares to be allotted thereunder. Subject to the above conditions, new share entitlements will be calculated by reference to the par value of the Shares, being HK$0.01, or the average of the closing prices per share of the Company on the Stock Exchange for the five consecutive trading days up to and including 24 April 2015, whichever is higher. Full details of the Scrip Dividend Scheme will be set out in a circular to be despatched to the shareholders.

CLOSURE OF REGISTER OF MEMBERS

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

(i) From 17 April 2015 to 21 April 2015 (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 16 April 2015 for registration of transfer.

(ii) From 27 April 2015 to 29 April 2015 (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 29 May 2015), 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 24 April 2015 for registration of transfer.

EXECUTIVE DIRECTORS

Mr. Chen Wantian (陳萬天), aged 41, 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 2014, 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 52, 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.

As at 31 December 2014, Mr. Song Guosheng 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. Chen Guoyu (陳國裕), aged 66, 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 51, 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 45, 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 43, 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 36, 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 36, 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 10 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 40, 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.

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 2014. 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 with 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 2014.

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.

The Board is also entrusted with the overall responsibility of developing, maintaining and reviewing sound and effective corporate governance within the Group and is committed to ensuring that an effective corporate governance is put in place to continuously review and improve the corporate governance practices within the Group.

(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 2014.

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	
	Board	General Meeting
Mr. Chen Wantian (Chairman)	4/4	1/1
Mr. Song Guosheng	4/4	0/1
Mr. Chen Guoyu	4/4	0/1
Independent non-executive directors		
Dr. Jiang Tao	4/4	0/1
Dr. Li Haitao	4/4	0/1
Dr. Zeng Yilong	4/4	1/1

(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 casual 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.

(ix) Board Diversity

The composition, structure and size of the Board are reviewed at least annually by the Nomination Committee to ensure that it has a balance of appropriate skills, experience and diversity of perspectives to meet the needs of the business of the Group. Members of the Board have a diverse range of business, financial and professional expertise. Brief biographical details of the Directors are set out in the section headed "Directors and Senior Management" in this annual report.

(x) Directors' Continuous Training and Development

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution into the Board remains informed and relevant. The Directors are committed to complying with the Code provision A.6.5 under the CG Code on Directors' training. All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2014 to the Company.

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 2014. 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 2014, 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 2014, 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 Code Provision A.5.1, 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.

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 2014.

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 and retailing of silver products in the People's Republic of China (the "PRC").

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 36 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 2014.

The Directors recommend the payment of a final dividend of HK$0.05 (2013: HK$0.03) per share for the year ended 31 December 2014. Such dividend is subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 21 April 2015.

The final dividend will be payable in cash but shareholders will have the option of receiving the final dividend in cash or in the form of new shares in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme are subject to their listing being granted by the Listing Committee of the Stock Exchange.

A circular containing details of this scrip dividend scheme will be dispatched to shareholders together with an election form for the scrip dividend on 30 April 2015.

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 2014, HK$25.5 million of the proceeds from the Listing have not been utilised.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the Group's sales to its five largest customers and its largest customer accounted for 68.4% (2013: 57.8%) and 16.6% (2013: 18.8%) of the Group's total sales respectively.

For the year ended 31 December 2014, the Group's five largest suppliers and the largest supplier accounted for 54.2% (2013: 66.8%) and 16.9% (2013: 21.4%) of the Group's total purchases respectively.

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 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 25 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year ended 31 December 2014 are set out in page 39 of this report.

As of 31 December 2014, the reserves of our Company available for distribution to shareholders amounted to RMB45,322,000 (2013: RMB83,104,000).

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 2014 are set out in note 24 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2014 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 13 to 14 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 2014.

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 2014.

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 2014.

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 11 to the consolidated financial statements.

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

As of 31 December 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 ("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	Interest in controlled corporation/ Beneficial Interest[1]	402,780,000	44.45%
Mr. Song Guosheng	Beneficial Interest[2]	2,000,000	0.22%

Notes:

1. Mr. Chen Wantian is deemed to be interested in 397,080,000 Shares owned by Rich Union Enterprises Limited as the legal owner of the entire issued share capital of Rich Union Enterprises Limited. Mr. Chen was granted share options to subscribe for 5,700,000 Shares, details of which are disclosed under the section headed "Share Option Scheme" below.

2. Mr. Song Guosheng was granted share options to subscribe for 2,000,000 Shares, details of which are disclosed under the section headed "Share Option Scheme" below.

Save as disclosed above, as at 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2014 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 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]	96,360,000	10.63%
Richwise Capital Group Ltd	Interest in controlled corporation[1]	96,360,000	10.63%
Mr. Shi Jinlei	Interest in controlled corporation[1]	96,360,000	10.63%
Easy Eight Limited	Beneficial interest[2]	93,840,000	10.36%
Mr. Wu Wenyong	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: Mr. Wu Wenyong 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.

Except as disclosed above, as at 31 December 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 year ended 31 December 2014, 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 non-competition in favor of the Company (the "Deed of Non-Competition") through which they have jointly and severally undertaken to the Company not to, and will procure that none of their respective associates, (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.

Each of the Controlling Shareholders has provided a written confirmation to the Company confirming that it/he/she has complied with the terms of the Deed of Non-competition for the year ended 31 December 2014. The independent non-executive directors of the Company have also reviewed the status of compliance by each of the Controlling Shareholders and confirmed that, as far as they can ascertain, each of the Controlling Shareholders has complied with the terms of the Deed of Non-competition.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this report, as of 31 December 2014, 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 2014, 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-year 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 2014 are as follows:

Name	Date of Grant	Exercise price per Share [1]	Exercise period [2][3]	Outstanding as at 1 January 2014	Granted during the year ended 31 December 2014	Outstanding as at 31 December 2014
Directors						
Mr. Chen Wantian	3 July 2013	HK$0.96	3 July 2013 – 2 July 2023	3,500,000	–	3,500,000
	20 August 2014	HK$2.2	20 August 2014 – 19 August 2024	–	2,200,000	2,200,000
Mr. Song Guosheng	3 July 2013	HK$0.96	3 July 2013 – 2 July 2023	1,500,000	–	1,500,000
	20 August 2014	HK$2.2	20 August 2014 – 19 August 2024	–	500,000	500,000
Employees						
In aggregate	3 July 2013	HK$0.96	3 July 2013 – 2 July 2023	7,000,000	–	7,000,000
	20 August 2014	HK$2.2	20 August 2014 – 19 August 2024	–	24,300,000	24,300,000
Total				12,000,000	27,000,000	39,000,000

The total number of shares available for issue under the Share Option Scheme is 39,000,000, representing 4.3% of the Company's issued share capital as at 31 December 2014.

Saved as disclosed above, no share options granted under the Share Option Scheme were exercised, lapsed or cancelled during the year ended 31 December 2014.

Notes:

(1) The closing price per share immediately before 3 July 2013 and 20 August 2014 (the date on which the share options was granted) was HK$0.95 and HK$2.2 respectively.

(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)

(3) Share options granted under the Share Option Scheme on 20 August 2014 are exercisable during the period from 20 August 2014 to 19 August 2024 in three batches, being:

- 20 August 2015 to 19 August 2024 (up to 30% of the share options granted are exercisable)
- 20 August 2016 to 19 August 2024 (up to 60% of the share options granted are exercisable)
- 20 August 2017 to 19 August 2024 (all share options granted are exercisable)

Further details of the Share Option Scheme are set out in note 28 to the consolidated financial statements.

EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2014, the Company completed an issuance of new shares of an aggregate of 180,000,000 Shares to two independent third parties at HK$1.51 per share under the general mandate on 2 January 2015.

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 2014.

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 15 to 22 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, 16 March 2015

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 36 to 87, which comprise the consolidated statement of financial position as at 31 December 2014, 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 2014, 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
16 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	5	**1,522,716**	1,506,963
Cost of sales		**(1,179,325)**	(1,284,749)
Gross profit		**343,391**	222,214
Other income	6a	**3,054**	1,139
Other gains and losses	6b	**(434)**	(4,275)
Administrative expenses		**(50,251)**	(27,119)
Selling and distribution expenses		**(8,172)**	(1,731)
Research and development expenses	7	**(2,046)**	(2,051)
Other expenses		**(244)**	(111)
Finance costs	8	**(8,104)**	(7,943)
Share of result of an associate		**(400)**	–
Profit before tax		**276,794**	180,123
Income tax expense	9	**(28,454)**	(48,785)
Profit and total comprehensive income for the year	10	**248,340**	131,338
		RMB	RMB
Earnings per share	13		
Basic		**0.27**	0.15
Diluted		**0.27**	0.15

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**182,720**	181,365
Prepaid lease payments	15	**19,003**	19,437
Intangible assets	16	**5,443**	5,307
Deferred tax asset	17	**2,307**	2,485
Interest in an associate	35(ii)	**200**	–
		209,673	208,594
CURRENT ASSETS			
Prepaid lease payments	15	**432**	432
Inventories	18	**136,390**	122,412
Trade receivables and prepayments	19	**52,789**	5,091
Trade deposits	20	**5,233**	978
Pledged bank deposit	21	**20,100**	20,000
Bank balances and cash	21	**740,434**	381,144
		955,378	530,057
CURRENT LIABILITIES			
Trade and other payables	22	**43,288**	34,630
Customer receipts in advance	23	**378**	8,400
Income tax payable		**13,054**	20,728
Bank borrowings	24	**130,139**	129,947
		186,859	193,705
NET CURRENT ASSETS		**768,519**	336,352
TOTAL ASSETS LESS CURRENT LIABILITIES		**978,192**	544,946

	Notes	2014 RMB'000	2013 RMB'000
CAPITAL AND RESERVES			
Share capital	25	**7,362**	7,362
Share premium and reserves		**746,529**	527,644
TOTAL EQUITY		**753,891**	535,006
NON-CURRENT LIABILITIES			
Receipts in advance for issue of shares	37(a)	**215,075**	–
Deferred income	26	**9,226**	9,940
		224,301	9,940
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**978,192**	544,946

The consolidated financial statements on pages 36 to 87 were approved and authorised for issue by the board of directors on 16 March 2015 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 2014

	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 2013	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 28)	–	–	1,443	–	–	–	1,443
Issue of new shares pursuant to the Over-allotment Option (note 25)	190	22,184	–	–	–	–	22,374
Transfer upon deregistration of a subsidiary	–	–	–	–	(91)	91	–
Transfer	–	–	–	–	14,289	(14,289)	–
Dividends paid (note 12)	–	(14,453)	–	–	–	–	(14,453)
At 31 December 2013	7,362	112,776	1,443	32,141	61,898	319,386	535,006
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**248,340**	**248,340**
Recognition of equity-settled share-based payments (note 28)	**–**	**–**	**6,434**	**–**	**–**	**–**	**6,434**
Transfer	**–**	**–**	**–**	**–**	**29,537**	**(29,537)**	**–**
Dividends paid (note 12)	**–**	**(35,889)**	**–**	**–**	**–**	**–**	**(35,889)**
At 31 December 2014	**7,362**	**76,887**	**7,877**	**32,141**	**91,435**	**538,189**	**753,891**

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 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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**276,794**	180,123
Adjustments for:		
Amortisation of intangible assets	**362**	361
Bank interest income	**(2,340)**	(832)
Depreciation of property, plant and equipment	**14,795**	12,143
Finance costs	**8,104**	7,943
Loss on disposal of property, plant and equipment	**1,378**	2,886
Release of deferred income	**(714)**	(60)
Release of prepaid lease payments	**434**	435
Share-based payments	**6,434**	1,443
Share of result of an associate	**400**	–
Operating cash flows before movements in working capital	**305,647**	204,442
(Increase) decrease in inventories	**(13,978)**	46,260
(Increase) decrease in trade receivables and prepayments	**(47,698)**	8,918
(Increase) decrease in trade deposits	**(4,255)**	11,009
Increase (decrease) in trade and other payables	**8,658**	(13,098)
(Decrease) increase in customer receipts in advance	**(8,022)**	7,800
Cash generated from operations	**240,352**	265,331
Income tax paid	**(35,950)**	(53,215)
NET CASH FROM OPERATING ACTIVITIES	**204,402**	212,116
INVESTING ACTIVITIES		
Placement of a pledged bank deposit	**(20,100)**	(20,000)
Purchase of property, plant and equipment	**(17,713)**	(53,852)
Capital injection to an associate	**(600)**	–
Acquisition of an intangible asset	**(498)**	–
Withdrawal of a pledged bank deposit	**20,000**	–
Interest received	**2,340**	832
Proceeds from disposal of property, plant and equipment	**185**	215
NET CASH USED IN INVESTING ACTIVITIES	**(16,386)**	(72,805)

	Note	2014 RMB'000	2013 RMB'000
FINANCING ACTIVITIES			
Proceeds from receipts in advance for issue of shares	37(a)	**215,075**	–
New bank borrowings raised		**130,139**	159,947
Proceeds from issue of new shares to the public		**–**	22,374
Repayment of bank borrowings		**(129,947)**	(140,000)
Dividends paid		**(35,889)**	(14,453)
Interest paid		**(8,104)**	(7,943)
NET CASH FROM FINANCING ACTIVITIES		**171,274**	19,925
NET INCREASE IN CASH AND CASH EQUIVALENTS		**359,290**	159,236
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**381,144**	221,908
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**740,434**	381,144

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 since 28 December 2012 (the "Listing").

The Company's immediate and ultimate parent is Rich Union Enterprises Limited ("Rich BVI"), a limited liability company incorporated in the British Virgin Islands (the "BVI"). 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 activities of the Company and its subsidiaries (collectively referred to as the "Group") are (i) the manufacture of silver and other non-ferrous metals for sale and (ii) retail and wholesale of silver jewellery and collectibles in the PRC. Details of the principal activities of its subsidiaries are set out in note 35.

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

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

The International Accounting Standards Board has issued a number of amendments to International Accounting Standards ("IASs"), IFRSs and a new interpretation ("IFRIC") which are effective for the Group's financial year beginning on 1 January 2014 (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.

2. 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:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operation[5]
Amendments to IAS 16 and IAS 38	Classification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plant[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Early application is permitted.

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.

3. 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 (Cap. 32).

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.

3. 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 (including structured 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments 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 associates are incorporated in these 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments 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 consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 each 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Research and development expenditure (Continued)

- 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.

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 each reporting period, the Group revises its estimate 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.

3. 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 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.

3. 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.

3. 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 instruments.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method (Continued)

Impairment of loans and receivables (Continued)

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 are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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.

3. 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 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Consolidation of a structured entity

PRC laws and regulations limit foreign ownership for enterprises engaging in value-added telecommunication business, the Group operates its own online sales platform by means of setting up Structured Entity (as defined in note 35(ii)) through entering into Contractual Agreements (as defined in note 35(ii)).

The directors of the Company assessed whether or not the Group has control over the Structured Entity based on whether or not the Group has power to direct the relevant activities of Structured Entity unilaterally, rights to variable returns from its involvement, and has the ability to use its power to affect its returns. In making their judgement, the directors of the Company considered the terms of the Contractual Agreements as detailed in note 35(ii).

The directors of the Company, after consulting legal opinion, are of the view that the terms of 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. Accordingly, Structured Entity is accounted for as consolidated structured entity of the Group.

In the opinion of the directors of the Company, with reference to opinion of legal counsel, the Contractual Arrangements are in compliance with existing PRC laws and regulations are valid, binding and enforceable, and do not result in any violation of PRC laws or regulations currently in effect in all material respects. However, uncertainties in the PRC legal system could cause the Group's current contractual arrangement structure to be found in violation of any existing and/or future PRC laws or regulations and could limit the Company's ability to enforce its rights under the Contractual Arrangements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the end of the reporting period that may 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 factors such as technological progress, conditions of the plant and machinery and changes in market demand. Useful lives are periodically reviewed for continued appropriateness.

5. 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.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 31 December 2014

	Manufacturing segment RMB'000	Online segment RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	**1,251,719**	**270,997**	**1,522,716**	**–**	**1,522,716**
Inter-segment sales*	**119,746**	**–**	**119,746**	**(119,746)**	**–**
Total segment revenue	**1,371,465**	**270,997**	**1,642,462**	**(119,746)**	**1,522,716**
Results					
Segment results	**224,960**	**76,726**	**301,686**		**301,686**
Non-segment items					
Unallocated income, expenses, gains and losses					**(16,388)**
Finance costs					**(8,104)**
Share of result of an associate					**(400)**
Profit before tax					**276,794**

For the year ended 31 December 2013 (restated) (note)

	Manufacturing segment RMB'000	Online segment RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	1,479,876	27,087	1,506,963	–	1,506,963
Inter-segment sales	–	–	–	–	–
Total segment revenue	1,479,876	27,087	1,506,963	–	1,506,963
Results					
Segment results	195,153	1,532	196,685		196,685
Non-segment items					
Unallocated income, expenses, gains and losses					(8,619)
Finance costs					(7,943)
Profit before tax					180,123

* Inter-segment sales are charged at prevailing market rates.

Note: In prior year, the Group's CODMs reviewed the revenue analysis by products and the Group's consolidated profit for the year for the purposes of resources allocation and performance assessment. Accordingly, it was not necessary to analyse the Group's revenue and results by operating segment. During the current year, the Group expanded to online retailing and wholesaling business which constitutes a new reportable segment (i.e. Online segment). As a result, the comparative information for the year ended 31 December 2013 has been restated to conform with the current year's presentation.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent profit earned by each segment, without allocation of central administrative expenses, certain other income, certain other gains and losses, finance costs and share of result of an associate. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

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 the Group's revenue by products is as follows:

	2014	2013
	RMB'000	RMB'000
Manufacturing segment		
Silver ingot	**764,574**	1,020,063
Lead ingot	**252,425**	243,819
Bismuth ingot	**138,845**	105,500
Antimony ingot	**58,732**	63,200
Non-standard gold	**20,335**	28,256
Zinc oxide	**16,315**	18,551
Others	**528**	487
	1,251,754	1,479,876
Online segment (restated)		
Silver jewellery and collectibles	**270,962**	27,087
	1,522,716	1,506,963

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

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

	2014 RMB'000	2013 RMB'000
Customer A	**253,197**	284,015
Customer B	**189,529**	251,520
Customer C	**183,619**	254,580

6a. OTHER INCOME

	2014 RMB'000	2013 RMB'000
Bank interest income	**2,340**	832
Release of deferred income	**714**	60
Reversal of overprovision of listing expenses	**–**	234
Scrap sales	**–**	13
	3,054	1,139

6b. OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Loss on disposal of property, plant and equipment	**(1,378)**	(2,886)
Net exchange gain (loss)	**944**	(1,389)
	(434)	(4,275)

7. 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.

8. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on bank borrowings wholly repayable within five years	**8,104**	7,943

9. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
PRC Enterprise Income Tax ("EIT")		
– current year	**46,786**	48,395
– (over)underprovision in respect of prior years	**(18,510)**	375
	28,276	48,770
Deferred taxation for the year (note 17)	**178**	15
	28,454	48,785

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 and its related implementation regulations, the Group's PRC subsidiaries are subject to PRC EIT at the statutory rate of 25% for both years, except that one of the major subsidiaries of the Company, Jiangxi Longtianyong Nonferrous Metals Co., Ltd. ("Longtianyong Nonferrous Metals"), 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 year.

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:

	2014 RMB'000	2013 RMB'000
Profit before tax	**276,794**	180,123
Tax at the domestic income tax rate of 25%	**69,199**	45,031
Tax effect of expenses not deductible for tax purpose	**8,726**	3,379
Tax effect of share of result of an associate	**100**	–
Tax effect of concessionary tax rate granted	**(31,061)**	–
(Over) underprovision in respect of prior years	**(18,510)**	375
Tax charge for the year	**28,454**	48,785

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 RMB607.6 million as at 31 December 2014 (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.

Details of a deferred tax asset recognised are set out in note 17.

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2014 RMB'000	2013 RMB'000
Profit and total comprehensive income for the year has been arrived at after charging:		
Directors' emoluments (note 11)	**4,745**	3,738
Other staff costs		
– salaries and wages	**42,077**	30,926
– retirement benefit scheme contributions	**7,826**	6,166
– share-based payments, excluding those of directors	**4,788**	821
Total staff costs	**59,436**	41,651
Auditor's remuneration	**1,347**	1,356
Amortisation of intangible assets	**362**	361
Cost of inventories recognised as expenses	**1,179,325**	1,284,749
Depreciation of property, plant and equipment	**14,795**	12,143
Release of prepaid lease payments	**434**	435
Rental expenses	**3,792**	477

11. 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
For the year ended 31 December 2014					
Executive directors					
Mr. Chen Wantian	–	1,041	11	1,235	2,287
Mr. Song Guosheng	–	873	11	411	1,295
Mr. Chen Guoyu	–	689	–	–	689
	–	2,603	22	1,646	4,271
Independent non-executive directors					
Dr. Li Haitao	158	–	–	–	158
Dr. Jiang Tao	158	–	–	–	158
Dr. Zeng Yilong	158	–	–	–	158
	474	–	–	–	474
Total	474	2,603	22	1,646	4,745

11. 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
For the 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

Employees

The Group's five highest paid individuals for the year ended 31 December 2014 included two (2013: two) directors of the Company. The emoluments of the remaining three (2013: three) individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and allowances	**2,333**	2,164
Share-based payments	**1,391**	528
Retirement benefit scheme contributions	**36**	31
	3,760	2,723

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

Employees (Continued)

Their emoluments were within the following bands:

	2014 Number of employees	2013 Number of employees
HK$1,000,001 to HK$1,500,000	1	3
HK$1,500,001 to HK$2,000,000	2	–
	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.

12. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Dividends recognised as distribution during the year:		
Interim dividend of HK$0.02 per share for the year ended 31 December 2014	14,355	–
Final dividend of HK$0.03 per share for the year ended 31 December 2013	21,534	–
Interim dividend of HK$0.02 per share for the year ended 31 December 2013	–	14,453
	35,889	14,453

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2014 of HK$0.05 (2013: HK$0.03) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. 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:

	2014 **RMB'000**	2013 RMB'000
Earnings		
Profit for the year	**248,340**	131,338

	2014 **'000**	2013 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**906,186**	905,076
Effect of dilutive potential ordinary shares:		
– Share options of the Company	**2,101**	–
– Over-allotment option granted in relation to the Listing	**–**	161
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**908,287**	905,237

The computation of diluted earnings per share does not assume the exercise of the Company's share options if 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.

14. 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 2013	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
Additions	–	15,008	2,339	366	17,713
Disposals	(76)	(2,555)	–	–	(2,631)
At 31 December 2014	142,140	97,470	5,285	6,473	251,368
DEPRECIATION					
At 1 January 2013	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
Provided for the year	6,142	8,026	517	110	14,795
Disposals	(21)	(1,047)	–	–	(1,068)
At 31 December 2014	28,392	32,591	1,901	5,764	68,648
CARRYING VALUES					
At 31 December 2014	113,748	64,879	3,384	709	182,720
At 31 December 2013	119,945	59,405	1,562	453	181,365

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%

15. PREPAID LEASE PAYMENTS

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

	2014	2013
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Non-current asset	**19,003**	19,437
Current asset	**432**	432
	19,435	19,869

16. INTANGIBLE ASSETS

	Patent	**System software**	**Total**
	RMB'000 (note)	RMB'000	RMB'000
COST			
At 1 January and 31 December 2013	6,000	–	6,000
Addition	–	498	498
At 31 December 2014	6,000	498	6,498
AMORTISATION			
At 1 January 2013	332	–	332
Provided for the year	361	–	361
At 31 December 2013	693	–	693
Provided for the year	362	–	362
At 31 December 2014	1,055	–	1,055
CARRYING VALUE			
At 31 December 2014	4,945	498	5,443
At 31 December 2013	5,307	–	5,307

Note: 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.

17. DEFERRED TAX ASSET

The deferred tax asset is attributable to the deferred income as detailed in note 26 and movements thereon during the current and prior years:

	RMB'000
At 1 January 2013	2,500
Charged to profit or loss	(15)
At 31 December 2013	2,485
Charged to profit or loss	(178)
At 31 December 2014	2,307

18. INVENTORIES

	2014 **RMB'000**	2013 RMB'000
Raw materials	**46,034**	66,709
Work in progress	**54,717**	51,484
Finished goods	**35,639**	4,219
	136,390	122,412

19. TRADE RECEIVABLES AND PREPAYMENTS

	2014 **RMB'000**	2013 RMB'000
Trade receivables	**35,409**	4,494
Prepayments	**17,380**	597
	52,789	5,091

Before accepting any new customer, other than those settling by cash or credit card, 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.

19. 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:

	2014 RMB'000	2013 RMB'000
0 – 30 days	33,647	4,494
31 – 60 days	1,762	–
	35,409	4,494

Included in the Group's trade receivables amounting to RMB1,762,000 (2013: Nil) which are past due at the reporting date for which the Group has not recognised impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience.

The remaining 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.

20. TRADE DEPOSITS

	2014 RMB'000	2013 RMB'000
Trade deposits paid to suppliers	5,233	978

21. 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:

	2014	2013
Range of interest rates per annum		
Pledged bank deposit	3.3%	3.3%
Bank balances	0.001% – 0.385%	0.001% – 0.35%

21. 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:

	2014 RMB'000	2013 RMB'000
United States dollar	**119**	4,435
Hong Kong dollar	**7,222**	1,349
	7,341	5,784

22. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	**21,236**	20,666
Other payables and accrued expenses (note)	**16,231**	9,273
Value-added tax and other taxes payables	**5,821**	4,691
	22,052	13,964
	43,288	34,630

Note: The balance included an amount of RMB12,000 (2013: RMB12,000) due to a related party, who is the spouse of Mr. Chen Wantian ("Mr. Chen"), an executive director of the Company and has a beneficial interest in the Group. 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.

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:

	2014 RMB'000	2013 RMB'000
0 – 30 days	**21,236**	20,666

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 timeframe.

23. CUSTOMER RECEIPTS IN ADVANCE

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

24. BANK BORROWINGS

	2014 **RMB'000**	2013 RMB'000
Secured bank borrowings carrying interest at fixed rates, repayable within one year and without a repayment on demand clause	**130,139**	129,947

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:

	2014	2013
Effective interest rates per annum	**3.71% – 6.16%**	3.96% – 6.60%

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

	2014 **RMB'000**	2013 RMB'000
United States dollar	**20,139**	19,947

Details of the Group's assets pledged to secure the above bank borrowings are set out in note 31.

25. SHARE CAPITAL

The share capital as at 31 December 2014 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			
At 1 January 2013, 31 December 2013 and 31 December 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 31 December 2014	906,186,000	9,062	7,362

Note: 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.

26. DEFERRED INCOME

Since 2008, for the purpose of enhancing production efficiency and implementing more environmental friendly production technologies, the Group has 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 2014, an amount of RMB714,000 (2013: RMB60,000) was transferred to as other income.

27. CAPITAL COMMITMENTS

	2014 **RMB'000**	2013 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	–	142,684

28. SHARE OPTION SCHEME

(a) The principal terms of the Company's share option scheme (the "Scheme") are set out below.

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.

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.

28. SHARE OPTION SCHEME (Continued)

(b) At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding was 39,000,000 (2013: 12,000,000), representing 4.30% (2013: 1.32%) of the shares of the Company in issue at that date.

The following table discloses movements of Company's options under the Scheme held by the Group's directors and employees during the current and prior years:

Date of grant	Exercise price per share HK$	Outstanding at 1.1.2013	Granted during the year	Outstanding at 31.12.2013	Granted during the year	**Outstanding at 31.12.2014**
3 July 2013	0.96	–	12,000,000	12,000,000	–	**12,000,000**
20 August 2014	2.20	–	–	–	27,000,000	**27,000,000**
		–	12,000,000	12,000,000	27,000,000	**39,000,000**
Exercisable at the end of the year				–		**3,600,000**

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 27,000,000 outstanding share options granted on 20 August 2014 with exercise price of HK$2.2 per share are exercisable during the period from 20 August 2015 to 19 August 2024 in three batches, being:

- 20 August 2015 to 19 August 2024 (up to 30% of the share options granted are exercisable)
- 20 August 2016 to 19 August 2024 (up to 60% of the share options granted are exercisable)
- 20 August 2017 to 19 August 2024 (all share options granted are exercisable)

The closing prices of the Company's shares immediately before 3 July 2013 and 20 August 2014, the dates of grant, were HK$0.95 and HK$2.2 respectively.

28. SHARE OPTION SCHEME (Continued)

(b) (Continued)

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

Eligible participants	Outstanding at 1.1.2013	Granted during year	**Outstanding and 1.1.2014**	Granted during year	**Outstanding at 31.12.2014**
Directors	–	5,000,000	**5,000,000**	2,700,000	**7,700,000**
Employees	–	7,000,000	**7,000,000**	24,300,000	**31,300,000**
	–	12,000,000	**12,000,000**	27,000,000	**39,000,000**
Exercisable at the end of the year			**–**		**3,600,000**

(c) 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.

(d) The estimated fair values of the options granted on 20 August 2014 amounted to RMB20,412,000. The fair value was calculated using the Binomial model. The inputs into the model were as follows:

	2014
Weighted average share price	**HK$2.20**
Exercise price	**HK$2.20**
Expected volatility	**54.10%**
Expected life	**10 years**
Risk-free rate	**1.88%**
Expected dividend yield	**2.27%**

Expected volatility was determined by using the historical volatility of 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.

28. SHARE OPTION SCHEME (Continued)

(e) The Group recognised the total expense of RMB6,434,000 for the year ended 31 December 2014 (2013: RMB1,443,000) 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.

29. 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 expense recognised in profit or loss amounting to RMB7,848,000 (2013: RMB6,186,000) represents contributions paid or payable to the above schemes by the Group during the year.

30. RELATED AND CONNECTED PARTY DISCLOSURES

(i) Related and connected party transactions

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	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
	Purchase of silver ingots	–	1,074

Note: This company is owned by the spouse of Mr. Chen.

(ii) Related party balance

Details of the related party balance are set out in note 22.

30. 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:

	2014 RMB'000	2013 RMB'000
Short-term benefits	**5,929**	4,777
Post-employment benefits	**66**	60
Share-based payments	**2,597**	916
	8,592	5,753

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

(iv) Connected person transaction

During the current year, the Group invested in an associate through the Structured Entity as detailed in note 35(ii). One of the ultimate shareholders of the associate is a substantial shareholder of the Company and thus the formation of this associate is considered as a connected person transaction pursuant to the Listing Rules. Further details of the transaction are set out in the Company's announcement dated 20 May 2014.

31. 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.

	2014 RMB'000	2013 RMB'000
Buildings	**67,426**	70,993
Prepaid lease payments – land use rights	**11,175**	11,431
Inventories	**66,918**	84,978
Bank deposit	**20,100**	20,000
	165,619	187,402

32. 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 24, 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.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014	2013
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**795,929**	405,638
Financial liabilities		
Amortised cost	**154,669**	150,625

(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 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.

33. FINANCIAL INSTRUMENTS (Continued)

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

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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong dollar	**7,222**	1,349	**–**	–
United States dollar	**119**	4,435	**20,139**	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.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against RMB. 5% (2013: 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% (2013: 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% (2013: 5%) against RMB. For a 5% (2013: 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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Post-tax profit	**360**	67	**(1,001)**	(776)

33. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate bank deposit (see note 21 for details) and fixed-rate bank borrowings (see note 24 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.

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 (2013: 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 (2013: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would increase/decrease by RMB1,376,000 (2013: RMB717,000).

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:

	2014	2013
Amount due from the largest debtor as a percentage to total trade receivables	**28%**	33%
Total amount due from the five largest debtors as a percentage to total trade receivables	**88%**	98%

33. 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.

33. 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 2014						
Trade and other payables	**–**	**24,560**	**–**	**–**	**24,560**	**24,560**
Bank borrowings – fixed rate	**5.78**	**–**	**–**	**137,309**	**137,309**	**130,139**
		24,560	**–**	**137,309**	**161,869**	**154,699**
As at 31 December 2013						
Trade and other payables	–	20,678	–	–	20,678	20,678
Bank borrowings – fixed rate	6.20	–	–	137,525	137,525	129,947
		20,678	–	137,525	158,203	150,625

(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.

34. 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 RMB3,792,000 (2013: RMB477,000).

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:

	2014 **RMB'000**	2013 RMB'000
Within one year	**4,881**	843
In the second to fifth years inclusive	**6,996**	165
	11,877	1,008

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

35. 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 **2014**	2013	Principal activities	Form of company
Directly owned						
China Silver Holding Limited	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%**	100%	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%**	100%	Retail and wholesale of silver jewellery and collectibles	Wholly foreign owned

35. 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 2014	2013	Principal activities	Form of company
Indirectly owned						
China Silver Co., Limited 中國白銀有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Investment holding	Limited liability
Zhejiang Fuyin Silver Co., Ltd. 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
Jiangxi Jiyin Company Limited* 江西吉銀實業有限公司	The PRC	Registered capital US$8,000,000	**100%**	100%	Inactive	Wholly foreign owned
Shenzhen Guojintongbao Limited* 深圳國金通寶有限公司	The PRC	Registered capital RMB50,000,000#	**100%**	–	Inactive	Wholly foreign owned
Shenzhen Yinruiji Cultural Development Company Limited* 深圳銀瑞吉文化發展有限公司	The PRC	Registered capital RMB1,000,000	**note ii**	–	Provision of internet services	Limited liability

* English translated names are for identification only.

\# At 31 December 2014, capital injection to the entity was not yet started.

35. PARTICULARS OF SUBSIDIARIES (Continued)

Notes:

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

(ii) **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 year, 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. 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 (a) option agreement, (b) proxy agreement, (c) consultancy and services agreement and (d) share pledge agreement. Key provisions of the Contractual Arrangements are as follows:

Option Agreement

The Group, the Structured Entity and the legal owners entered into an exclusive option agreement (the "Option Agreement") whereby the legal owners have irrevocably and unconditionally agree, to the extent permitted under the laws of the PRC, to transfer to the Group or any other entities or persons designated by the Group their equity interests in the Structured Entity. The Group may exercise, at its sole discretion, its rights at any time and in any manner permitted under the laws of the PRC. The exercise price of the rights payable to each of the legal owners is the lower of (a) the amount of registered capital contributed by the respective legal owner in accordance with their respective percentage of equity interest in the Structured Entity and (b) the lowest price permitted under the laws of the PRC. The entire consideration received by the legal owners in exercising the option would be transferred to the Group within 10 days.

The Option Agreement will be terminated when all the rights and assets in the Structured Entity are transferred to the Group and/or other entities or persons designated by the Group in accordance with the terms of the Option Agreement and the laws of the PRC.

Proxy Agreement

The Group, the Structured Entity and the legal owners entered into a proxy agreement (the "Proxy Agreement") whereby the legal owners have irrevocably undertake that they will authorise persons designated by the Group to exercise on their behalf the rights as a shareholder of the Structured Entity under the articles of association of the Structured Entity, including but not limited to (a) the right to convene and attend shareholders' meeting; and (b) the right to vote as shareholders.

The Proxy Agreement will be valid until terminated in writing by all parties.

35. PARTICULARS OF SUBSIDIARIES (Continued)

Notes: (Continued)

(ii) **Consolidated structured entity (Continued)**

Consultancy and Services Agreement

The Group and the Structured Entity entered into an exclusive consultancy and services agreement ("Consultancy and Service Agreement") whereby the Structured Entity engages the Group on an exclusive basis to provide consultancy services in relation to technology approval, technology support, technology consultation and other related corporate consultation services.

In consideration of the provision of the aforementioned services by the Group, the Structured Entity will pay the Group (a) a service fee equivalent to the entire profit after taxation of the Structured Entity, with calculation in accordance to IFRSs, after setting off any accumulated loss after taxation in the prior years; and (b) another service fee agreed separately between the Structured Entity and the Group for specific technology services provided by the Group on the request of the Structured Entity.

The Consultancy and Service Agreement will be valid until terminated in writing by both parties or in accordance with the requirements by the laws of the PRC.

Share Pledge Agreement

The Group, the Structured Entity and the legal owners entered into a share pledge agreement (the "Share Pledge Agreement") whereby the legal owners have irrevocably and unconditionally agree that the Group shall be entitled to enforce the pledge in accordance with the terms of the Share Pledge Agreement.

The Share Pledge Agreement will remain in effect until the later to occur of the following: (a) all of the obligations of the legal owners and the Structured Entity under the Option Agreement, the Consultancy and Services Agreement and the Proxy Agreement are satisfied in full or (b) all the direct, indirect or incidental loss suffered by the Group as a result of the breach by the legal owners or the Structured Entity under the Option Agreement, the Proxy Agreement and/or the Consultancy and Services Agreement has been discharged in full.

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 its shareholders' meetings and concluded that the Group has significant influence over Shenzhen Daxidi. Accordingly, it is classified as an associate of the Group. During the year, Shenzhen Daxidi was inactive.

36. FINANCIAL POSITION OF THE COMPANY

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSET			
Investments in subsidiaries	(i)	**50,126**	–
CURRENT ASSETS			
Amounts due from subsidiaries	(ii)	**212,769**	91,357
Bank balances		**6,329**	177
		219,098	91,534
CURRENT LIABILITY			
Other payables		**1,465**	1,068
NET CURRENT ASSETS		**217,633**	90,466
TOTAL ASSETS LESS CURRENT LIABILITY		**267,759**	90,466
CAPITAL AND RESERVES			
Share capital (note 25)		**7,362**	7,362
Share premium and reserves	(iii)	**45,322**	83,104
TOTAL EQUITY		**52,684**	90,466
NON-CURRENT LIABILITY			
Receipts in advance for issue of shares (note 37(a))		**215,075**	–
TOTAL EQUITY AND NON-CURRENT LIABILITY		**267,759**	90,466

Notes:

(i) Investments in subsidiaries

	RMB	RMB
Unlisted investments, at cost	**50,125,867**	7

36. FINANCIAL POSITION OF THE COMPANY (Continued)

Notes: (Continued)

(ii) Amounts due from subsidiaries

The amounts due from 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 1 January 2013	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 25)	22,184	–	–	22,184
Recognition of equity-settled share-based payments (note 28)	–	1,443	–	1,443
Dividends paid (note 12)	(14,453)	–	–	(14,453)
At 31 December 2013	112,776	1,443	(31,115)	83,104
Loss and total comprehensive expense for the year	–	–	(8,327)	(8,327)
Recognition of equity-settled share-based payments (note 28)	–	6,434	–	6,434
Dividends paid (note 12)	(35,889)	–	–	(35,889)
At 31 December 2014	76,887	7,877	(39,442)	45,322

37. EVENT AFTER THE REPORTING PERIOD

(a) Issuance of ordinary shares

On 31 October 2014, the Company entered into the share subscription agreements with each of independent third parties, Mr. Luo Shandong and Mr. Zhu Xiaolin ("Subscribers"), pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, an aggregate of 180,000,000 new ordinary shares ("Subscription Shares") at the subscription price of HK$1.51 per share ("Subscription Price").

The conditions of the subscription as set out in the subscription agreements were fulfilled and the completion of the subscription took place on 2 January 2015. The Subscription Shares have been successfully issued to the Subscribers at the Subscription Price pursuant to the terms and conditions of the subscription agreements. All the net proceeds of the subscription of HK$271,800,000 (equivalent to RMB215,075,000), which was received in November and December 2014, will be applied for the expansion of the Company's downstream silver retailing business, its potential upstream acquisitions and general working capital.

(b) Grant of share options

On 2 January 2015, pursuant to the Scheme of the Company, the Company granted a total of 49,000,000 share options to certain employees and consultant to subscribe for a total 49,000,000 ordinary shares of HK$0.01 each in the share capital of the Company with an exercise price of HK$1.80 per ordinary share.

The 49,000,000 share options granted on 2 January 2015 with the exercise price of HK$1.80 per share are exercisable during the period from 2 January 2016 to 1 January 2025 in three batches, being:

- 2 January 2016 to 1 January 2025 (up to 30% of the share options granted are exercisable)
- 2 January 2017 to 1 January 2025 (up to 60% of the share options granted are exercisable)
- 2 January 2018 to 1 January 2025 (all share options granted are exercisable)

The directors of the Company are in the process of ascertaining the fair value of the share options and therefore the financial impact to the Group has not been disclosed.

Further details of the grant of share options are set out in the announcement of the Company dated 5 January 2015.

(c) Proposed injection of capital for setting up a new company

In March 2015, the Company proposed to inject a capital for setting up 上海華通白銀國際交易中心 ("Shanghai Huatong"), which will engage in the spot silver trading business in Shanghai. Shanghai Huatong has a registered capital of RMB50 million, of which the Group will contribute RMB20 million, representing 40% of the registered capital; and two independent third parties, namely 上海華通鉑銀交易市場 and 上海天寶龍鳳金珠寶有限公司, will contribute RMB27 million and RMB3 million respectively, representing 54% and 6% of the registered capital respectively.

Further details of the proposed injection of capital are set out in the announcement of the Company dated 5 March 2015.

Five Years' Financial Summary

RESULTS

	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Revenue	559,291	984,172	1,540,039	1,506,963	**1,522,716**
Profit before tax	131,640	154,858	220,552	180,123	**276,794**
Income tax expense	(33,354)	(39,448)	(62,810)	(48,785)	**(28,454)**
Profit for the year	98,286	115,410	157,742	131,338	**248,340**

ASSETS AND LIABILITIES

	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Total assets	360,855	379,092	587,805	738,651	**1,165,051**
Total liabilities	(109,061)	(132,550)	(193,501)	(203,645)	**(411,160)**
Total equity	251,794	246,542	394,304	535,006	**753,891**