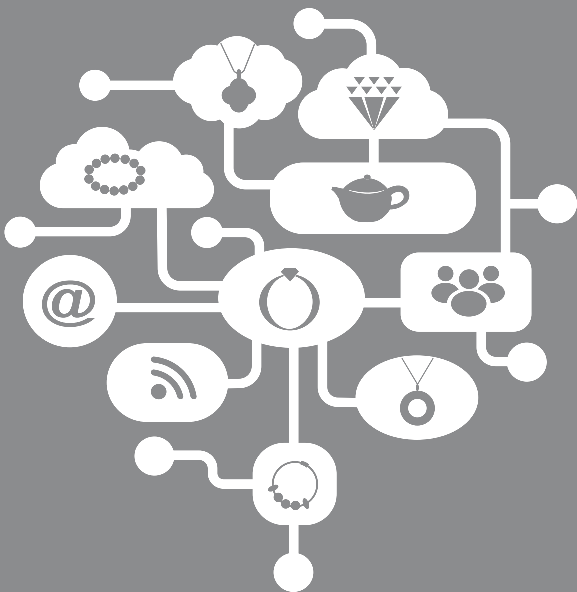
中國白銀集團
CHINA SILVER GROUP

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

Leading O2O Silver Jewellery Platform

Interim Report 2015



www.csmall.com

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Executive directors

Chen Wantian (陳萬天)
Sung Kin Man (宋建文)#
Song Guosheng (宋國生)
Chen Guoyu (陳國裕)

Independent non-executive directors

Guo Bin (郭斌)#
Jiang Tao (姜濤)
Li Haitao (李海濤)
Zeng Yilong (曾一龍)

Audit committee

Zeng Yilong *(Chairman)*
Jiang Tao
Li Haitao

Remuneration committee

Li Haitao *(Chairman)*
Chen Wantian
Jiang Tao

Nomination committee

Chen Wantian *(Chairman)*
Jiang Tao
Li Haitao

Company secretary

Moy Yee Wo, Matthew (梅以和), *HKICPA*

Authorized representatives

Chen Wantian
Moy Yee Wo, Matthew

With effect from 30 April 2015

Cayman Islands share registrar and transfer office

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

Hong Kong share registrar

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

Registered office

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

Headquarters in the PRC

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

Place of business in Hong Kong

Unit 2602, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

Company's website

www.chinasilver.hk

Place of listing and stock code

The Stock Exchange of Hong Kong Limited
815

Principal bankers

Agricultural Bank of China
Bank of Ganzhou

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

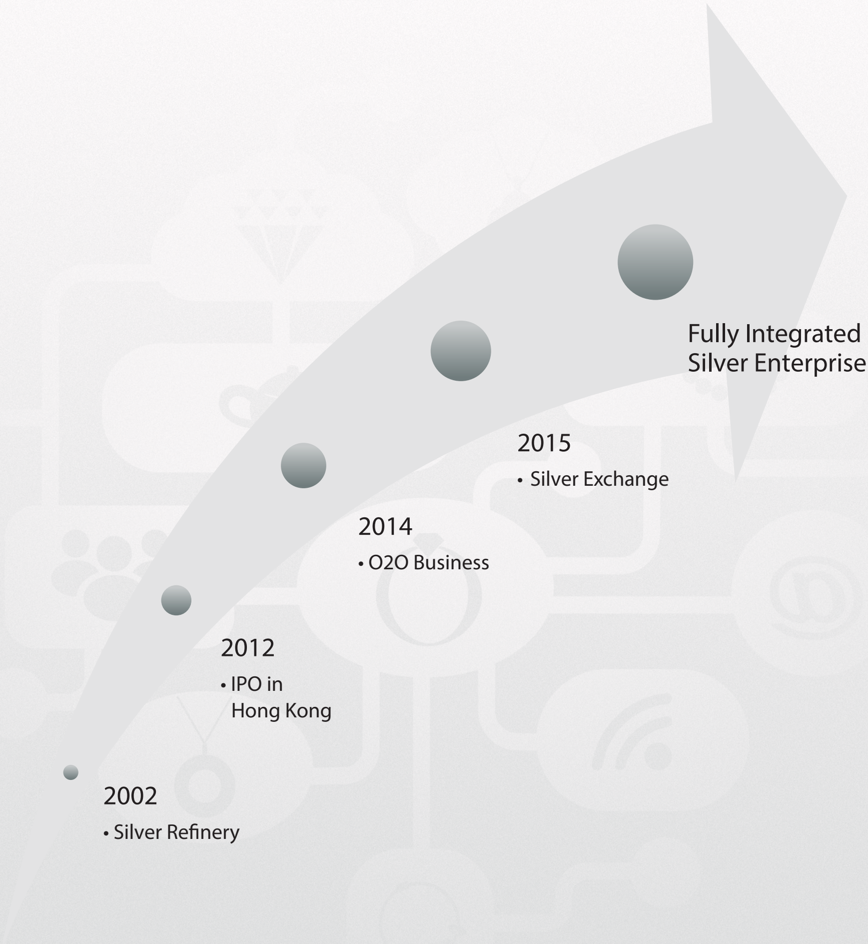
Legal advisors

Hong Kong law:
Chiu & Partners

Cayman Islands law:
Conyers Dill & Pearman

Investors and media relations

Hill and Knowlton Strategies


Fully Integrated
Silver Enterprise
2015
• Silver Exchange
2014
• O2O Business
2012
• IPO in
Hong Kong
2002
• Silver Refinery

Zun Fan Pure Silver Jewelleries (尊梵足銀)






Guo Yin Tong Bao Silver Collectibles (國銀通寶)








Business Review

The Directors are delighted to report our remarkable progress in the development of our O2O business in the first half of 2015.

Last year, we decided to diversify from traditional smelting business to downstream O2O business. During the period, we launched a number of new initiatives and achieved encouraging results in our O2O segment. The aggregate sales in O2O segment amounted to RMB214 million, representing 38.6% of our total revenue (for last period: 9.0%) and a significant increase of 245% as compared to last period. We foresee that the O2O segment will soon become a major revenue contributor to the Group in the near future.

Our consolidated net profit, nevertheless, recorded a significant decline as compared to last period mainly due to:

(i) the absence of one-off tax reversal of approximately RMB18.5 million recorded in last period;

(ii) the decrease in gross profit margin of the smelting business due to further decline in international silver price and the initial adoption of the new environmental laws by the PRC government;

(iii) the non-recurring expenses of approximately RMB20.8 million incurred for acquisitions and fund-raising activities during the period;

(iv) the increase in non-cash share-based payments of RMB13.3 million; and

(v) the significant increase in operating costs in the O2O business during the rapid expansion stage.

Despite a decrease in net profit due to the transformation of the business, we remain fully confident in our current business strategy and believe all the initial investments will bring fruitful results in the near future.

Manufacturing segment

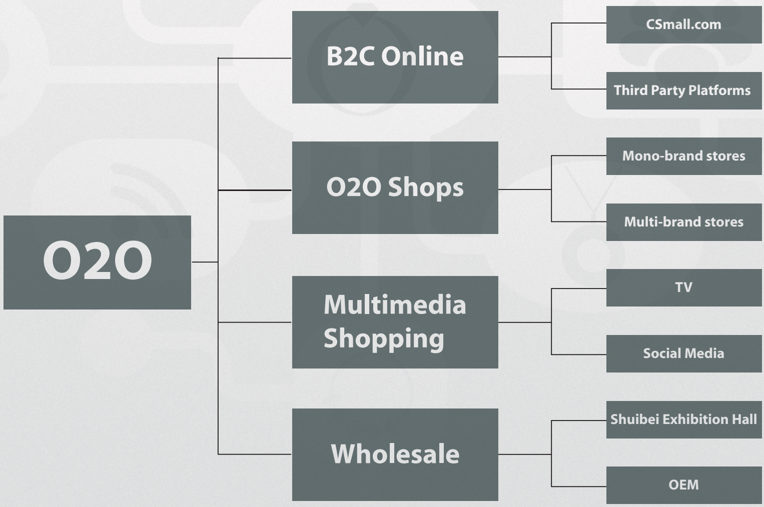
We are one of the leading silver producers in the PRC which manufactures high-grade silver ingots for industrial and trading purpose.

During the period, the decrease in international silver price further affected the average selling price of our silver ingots. In addition, cost of raw materials increased significantly after the adoption of new environmental laws in the PRC with the government encouraging silver producers to use environmental-friendly recycled materials for production. As a result, the overall performance of the manufacturing segment was adversely affected.

We have been working closely with the local authority on compliance with the regulatory changes and have been studying ways to improve our production process based on the new environmental laws.

We however expect that as the O2O segment continues to grow rapidly, the traditional smelting business will play a less significant role in the Group's overall performance in the future.

O2O segment



As a young retailer, we fully understand the importance of the use of technology and the revolutionary changes brought by the internet. During the current period, we made significant achievements in our downstream O2O operation.

B2C online

Our proprietary online sales platform, www.CSmall.com (金貓銀貓) surpassed 800,000 registered members, with 8.5 million monthly page views (PV), 4.0 million unique visitors (UV) and 2.3 million internet protocols (IP). The platform now carries an aggregate of approximately 100 self-owned and third party brands offering a comprehensive range of products to customers.

During the period, we also worked with third party platforms such as Tmall, JD, Suning, Gome and Yihaodian to distribute our products online.

O2O stores

O2O stores are franchised and self-owned outlets which provide offline experience, service and support to customers.

In response to the highly-fragmented retail market in the PRC, we introduced a new multi-brand store concept, namely CSmall, to fulfil different needs. Unlike mono-brand stores which only carry one single brand, CSmall store is virtually a mini-mall carrying three to eight silver and jewellery brands which can offer customers with a wide range of choices. The multi-brand store strategy increases the flexibility to react to market changes and adapt to local tastes.

During the period, we opened approximately 50 outlets, including 17 CSmall stores. As of today, we have over 100 outlets across the PRC with presence in Anhui, Guangdong, Hebei, Heilongjiang, Henan, Jiangsu, Shandong, Shanxi, Shaanxi, Shanghai, Tianjin, Yunnan and Zhejiang.

Multimedia shopping

Leveraging the instant success with CCTV shopping channel last year, we now work with a total of 14 television channels with an aggregate coverage of over 300 million home viewers in the PRC. Our partners include CCTV, Shanghai Oriental CJ Shopping, Shandong Lucky Pai, Shenzhen Eachome, etc.

Apart from TV channels, we are in discussion with social media and mobile platforms to promote our products through their various channels.

Wholesale

Wholesale refers to OEM customers and sales generated from our all-in-one 2,000 square meter flagship exhibition hall located in Shuibei, Shenzhen. We work closely with corporate clients and customize silver products according to their needs.

Marketing Campaigns

During the period, we launched a series of marketing activities to boost our brand awareness.

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.

In May 2015, we cooperated with the popular TV show "Where are We Going, Dad 2" and became the only official silver brand to promote show-related silver products.

While we spent great effort to develop our O2O business, our ambition also caught the attention of CCTV. In May 2015, CCTV invited us to participate in one of their key series – "Dream Building in China" and introduced our innovative O2O silver and jewellery retail platform to the audience in the PRC.

Going forward, we will continue to allocate more resources to promote our brands. For example, we have been working with Trends Group, one of the largest media groups in the PRC, and invited their celebrities to promote our silver products. We have also collaborated with the China Railway Corporation to promote our online sales platform, www.CSmall.com (金貓銀貓), on trains so as to allow passengers to shop comfortably during their journey.

Prospects

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

In July 2015, we announced that we acquired a 25% equity interest in Shanghai White Platinum & Silver Exchange (上海華通鉑銀交易市場有限公司). Shanghai White Platinum & Silver Exchange is the operator of an integrated precious metals and non-ferrous metals exchange in the PRC which provides professional and standardized spot goods supply, trading, logistic and e-commerce services. It is currently the largest spot exchange for silver trading in the PRC with its official website, www.buyyin.com, being the most authoritative web portal for the silver industry in the PRC. The daily spot silver prices quoted by www.buyyin.com are the general reference prices for the silver industry in the PRC.

Upon completion of the acquisition, the Group will own over 50% attributable interest in Shanghai Huatong International Silver Exchange (上海華通白銀國際交易中心), the only approved spot silver trading exchange in China (Shanghai) Pilot Free Trade Zone which will become the first silver exchange in the PRC allowing foreign investors to directly participate in.

In August 2015, we partnered with the PRC's largest crowd-funding platform, Renrentou.com (人人投), to open our 100th O2O store in Shenzhen Haiya Mega Mall. This is also the first project we worked with Renrentou, with Renrentou responsible for fund raising and the Group responsible for store operation. In view of the positive response from investors, we recently signed a strategic partnership agreement with Renrentou to open up to 200 O2O stores with an estimated funding of RMB300 million in the coming year.

In summary, we are glad to see numerous positive developments in our O2O business during this transformation period. Although the traditional manufacturing business will continue to be affected by the weakening of international silver price, we expect the effect to decrease over time as the downstream businesses expand rapidly. We aim to become the leading integrated silver enterprise in the PRC.

Presence of O2O shops across the PRC

Shops Distribution
6 in Heilongjiang
3 in Tianjin
6 in Hebei
1 in Shanxi
1 in Shaanxi
4 in Shandong
4 in Henan
9 in Jiangsu
9 in Shanghai
2 in Anhui
4 in Hubei
36 in Zhejiang
4 in Yunnan
12 in Guangdong

- As of today, we have over 100 shops in 14 provinces and cities in the PRC

- Photos of O2O shops

Financial Review

Revenue

The revenue of the Group for the six months ended 30 June 2015 was approximately RMB555 million (2014: RMB688 million), representing a decrease of approximately 19.4% from that of last period.

	Six months ended 30 June,			
	2015		2014	
	Revenue (RMB'000)	**% of revenue**	Revenue (RMB'000)	% of revenue
Manufacturing segment				
Silver ingot	**200,852**	**36.2%**	397,825	57.8%
Other metal by-products	**139,744**	**25.2%**	228,041	33.2%
	340,596	**61.4%**	625,866	91.0%
O2O segment				
Silver jewellery and collectibles	**214,057**	**38.6%**	62,037	9.0%
Total	**554,653**	**100%**	687,903	100%

Sales of silver ingot decreased from RMB398 million to RMB201 million for the six months ended 30 June 2015, representing a decrease of 49.5% from that of last period. The decrease was due to both decline in the average selling price and sales volume.

The average selling price of silver ingot decreased from RMB3.5 million (value-added tax exclusive) per tonne to RMB3.0 million per tonne due to a drop in the average market price of silver. Sales volume of silver ingot decreased from 113 tonnes to 66 tonnes as a portion of silver ingots was used for the manufacture of silver jewellery and collectibles in the downstream O2O business. The aggregate production volume of silver ingot remained stable at approximately 120 tonnes.

Other metal by-products such as lead ingot, bismuth ingot and antimony ingot are produced during the production of silver ingot. Sales decreased by 38.7% to RMB140 million mainly due to the use of environmental-friendly recycled materials which carried less metal by-products.

During this period, the O2O segment recorded sales of silver jewellery and collectibles of RMB214 million (2014: RMB62 million), representing an increase of 245% as all our retail sales channels expanded rapidly.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales mainly represents the cost of raw materials consumed, direct labor and manufacturing overhead. Cost of raw materials consumed accounted for over 90% of cost of sales. The purchase cost of raw materials is determined by the content levels of silver and lead at market prices at the time of purchase; other types of minerals or metals are not taken into account when determining purchase price. The decrease in cost of sales was mainly due to the decline in the average market price of silver.

We recorded gross profit of RMB99.5 million (2014: RMB161 million) for the six months ended 30 June 2015, a decrease of 38.4% as compared to that of last period and the overall gross profit margin decreased from 23.5% to 17.9% due to the use of recycled materials after the implementation of new environmental protection laws in the PRC.

Administrative Expenses

Administrative expenses increased by approximately 222% from RMB17.5 million to RMB56.2 million for the six months ended 30 June 2015. The increase was mainly due to an increase in non-cash share-based payments of RMB13.3 million, as well as a significant increase in staff cost due to the expansion in O2O segment.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 452% from RMB1.3 million to RMB7.4 million for the six months ended 30 June 2015 mainly due to an increase in advertising cost for brand promotion and transportation cost for product delivery.

Other Expenses

Other expenses mainly represent non-operating professional expenses for acquisition projects and fund raising activities during the period.

Income Tax Expense

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 statutory rate of 25% to a concessionary tax rate of 15%. During the last period, a one-off reversal of income tax expense of RMB19 million overprovided was recorded. No such reversal was recorded during the period.

Profit Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company decreased significantly from RMB134 million for the six months ended 30 June 2014 to RMB13.7 million for the six months ended 30 June 2015. Net profit margin decreased from 19.4% to 2.5% primarily due to the decrease in gross profit and the increase in non-operating and administrative expenses as explained above.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group's inventories mainly comprise of raw materials of ore powder, smelting slag and recycled materials. For the six months ended 30 June 2015, inventory turnover days were approximately 128 days (for the year ended 31 December 2014: 40 days). The significant increase was mainly due to the purchase of recycled materials after the implementation of the new environmental laws in the PRC.

The turnover days for trade receivables for the six months ended 30 June 2015 were approximately 16.1 days (for the year ended 31 December 2014: 4.8 days). The increase was mainly due to the increase in sales of O2O segment.

The turnover days for trade payables were approximately 15 days (for the year ended 31 December 2014: 6.5 days). The increase was due to the increase in the purchase of recycled materials.

Borrowings

As of 30 June 2015, the Group's bank borrowings balance amounted to RMB150 million (as of 31 December 2014: RMB130 million). The amounts are carried at fixed interest rates and will be due for repayment within one year.

The Group's net gearing ratio was calculated on the basis of the total bank borrowings less bank balances and cash and pledged bank deposit as a percentage of shareholder equity. As of 30 June 2015, the Group was in a net cash position with a net gearing ratio of -48.2% (as of 31 December 2014: -83.6%).

Pledge of Assets

As of 30 June 2015, the Group pledged property ownership rights in respect of buildings, land use rights, inventories and bank deposit with total carrying value of RMB65.6 million, RMB11.0 million, RMB235 million and RMB20.1 million, respectively (as of 31 December 2014: RMB67.4 million, RMB11.1 million, RMB66.9 million and RMB20.1 million) to secure the general banking facilities granted to the Group.

Capital Expenditures

For the six months ended 30 June 2015, the Group invested RMB15.0 million in property, plant and equipment (2014: RMB15.1 million).

Employees

As of 30 June 2015, the Group employed 963 staff (as of 31 December 2014: 936 staff) and the total remuneration for the six months ended 30 June 2015 amounted to approximately RMB53.9 million (2014: RMB22.8 million). The Group's remuneration packages are in line with the current legislation in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during the period under review. The Group was principally financed by internal resources and bank borrowings. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and bank borrowings. As of 30 June 2015, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB831 million (as of 31 December 2014: RMB740 million), RMB1,240 million (as of 31 December 2014: RMB769 million) and RMB1,463 million (as of 31 December 2014: RMB978 million), respectively. As of 30 June 2015, the Group had bank borrowings amounting to RMB150 million (as of 31 December 2014: RMB130 million).

Significant Investment Held, Material Acquisition and Disposal

On 3 May 2015, the Company entered into the memorandum of understanding ("MOU") in connection with the proposed acquisition of the entire issued share capital in Rich Metro Holdings Limited for an aggregate consideration of HK$625,500,000. On 17 June 2015, after having discussed with the Company's advisers and considered the due diligence progress in connection with the proposed acquisition, the Board decided to terminate the MOU and the Company will not proceed with the proposed acquisition.

Save as disclosed above, the Group did not hold any significant investment nor did the Group carry out any material acquisition and disposal during the period.

Use of Proceeds from the Listing

The net proceeds from the listing of the Company's share on the main board of the Stock Exchange (the "Listing") (after deducting underwriting fees and related expenses) amounted to approximately HK$101 million, which were intended to be applied in the manner consistent with that in the prospectus of the Company dated 14 December 2012. As of 30 June 2015, HK$9.4 million of the proceeds from the Listing has not been utilized.

Interim Dividend

The Board has resolved to declare an interim dividend for the six months ended 30 June 2015 of HK$0.01 per share (2014: HK$0.02 per share). The interim dividend will be payable on or about 30 October 2015 to shareholders whose names appear on the register of members of the Company on 16 October 2015.

Closure of Register of Members

The register of members of the Company will be closed from 14 October 2015 to 16 October 2015 (both days inclusive) during which period no transfer of shares will be registered. In order to establish entitlements to the interim dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 13 October 2015.

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

As of 30 June 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of director	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest in our Company
Mr. Chen Wantian	Interest in controlled corporation/ Beneficial Interest[1]	407,778,187	30.88%
Mr. Song Guosheng	Beneficial Interest[2]	2,006,797	0.15%

Note 1: Mr. Chen Wantian is deemed to be interested in 402,078,187 Shares owned by Rich Union Enterprises Limited as the legal owner of the entire issued share of Rich Union Enterprises Limited. Mr. Chen Wantian was granted share options to subscribe for 4,650,000 Shares, details of which are disclosed under the section headed "Share Option Scheme" below. Further, Mr Chen Wantian is the beneficial owner of 1,050,000 Shares.

Note 2: Mr. Song Guosheng was granted share options to subscribe for 1,550,000 Shares, details of which are disclosed under the section headed "Share Option Scheme" below. Further, Mr. Song Guosheng is the beneficial owner of 456,797 Shares.

Save as disclosed above, as at 30 June 2015, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As of 30 June 2015, except as disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", our Company was not notified by any person or corporation who had interests or short positions in the Shares or underlying Shares, being interests of 5% or more, as recorded in the register of substantial shareholders 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

Date of completion	Fund raising activity	Net proceeds raised	Reasons for fund raising and use of net proceeds	Closing price of last trading date	Actual use of net proceeds as of 30 June 2015
2 January 2015	Issue of 180,000,000 new ordinary shares at HK$1.51 each to two independent third parties by way of subscription under general mandate	Approximately HK$272 million	All the net proceeds will be applied for the expansion of the Company's downstream silver retailing business, its potential upstream acquisitions and general working capital	HK$1.82	Approximately 80% had been utilized for the expansion of the Company's downstream silver retailing business; and approximately 20% had been utilized for general working capital
22 May 2015	Placing of 200,000,000 existing ordinary shares to not less than six independent third parties and subscription of 200,000,000 new ordinary shares at HK$2.64 each under general mandate	Approximately HK$512 million	Approximately 30% of the net proceeds for the expansion of the Company's downstream silver retailing business, approximately 30% for the development of commodity trading platforms and related services and approximately 40% of the net proceeds for general working capital and other potential investments	HK$3.25	Remain unutilized
3 June 2015	Issue of 17,956,000 new ordinary shares at HK$4.25 each to five independent third parties by way of subscription under general mandate	Approximately HK$74 million	All the net proceeds will be applied for potential investments and general working capital	HK$5.31	Remain unutilized

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period ended 30 June 2015.

Share Option Schemes

The Company adopted a share option scheme (the "Share Option Scheme") on 5 December 2012. The purpose of the Share Option Scheme is to reward participants who have contributed to our Group and to encourage participants to work towards enhancing the value of our Group.

Details of the share options granted under the Share Option Scheme during the period ended 30 June 2015 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding at 1.1.2015	Granted during the period	Exercised during the period	Outstanding at 30.06.2015
Directors							
Mr. Chen Wantian	3 July 2013	HK$0.96	3 July 2013 – 2 July 2023	3,500,000	–	(1,050,000)	2,450,000
	20 August 2014	HK$2.20	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	–	(450,000)	1,050,000
	20 August 2014	HK$2.20	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	–	(2,100,000)	4,900,000
	20 August 2014	HK$2.20	20 August 2014 – 19 August 2024	24,300,000	–	-	24,300,000
	2 January 2015	HK$1.80	2 January 2015 – 2 January 2025	–	49,000,000	–	49,000,000
				39,000,000	49,000,000	(3,600,000)	84,400,000

The total number of shares available for issue under the share option scheme adopted on 5 December 2012 is 88,236,000 and 84,636,000, representing 9.74% and 6.41% of the Company's issued share capital as at 31 December 2014 and 30 June 2015 respectively.

Note 1: The closing price per share immediately before 3 July 2013, 20 August 2014 and 2 January 2015 (the date on which the share options were granted) was HK$0.95, HK$2.20 and HK$1.80 respectively.

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

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

Share options granted under the Share Option Scheme on 20 August 2014 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)

Share options granted under the Share Option Scheme on 2 January 2015 are exercisable during the period from 2 January 2016 to 2 January 2025 in three batches, being:

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

On 27 May 2015, the remuneration committee of the Company resolved to grant a total of 76,000,000 share options under the rules of the share option scheme adopted on 21 April 2015 to certain employees and consultants of the Group. Since none of the grantees accepted the share option within the acceptance period, the share options granted under this share option scheme lapsed.

Corporate Governance Code

During the six months ended 30 June 2015, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules, except for the following deviations:

Pursuant to code provision A.2.1 of the Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company did not have a separate chairman and chief executive officer which Mr. Chen Wantian performed these two roles until 30 April 2015.

The Board believed that vesting the roles of both chairman and chief executive officer in the same person had the benefit of ensuring consistent leadership within the Group and enabled more effective and efficient overall strategic planning for the Group. However, in order to comply with the Code, the Board decided to separate the roles of the chairman and chief executive officer on 30 April 2015.

Changes in Information of Directors

Changes in information of Directors since the publication of the Company's annual report 2014 were disclosed as below pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Chen Wantian has resigned from his position as the chief executive officer with effect from 30 April 2015, but remains as the chairman of the Board and an executive Director of the Company. Mr. Sung Kin Man has been appointed as the chief executive officer and executive Director with effect from 30 April 2015 and Mr. Guo Bin has been appointed as an independent non-executive Director with effect from 30 April 2015.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry to all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2015.

Audit Committee

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

The Audit Committee has reviewed the financial reporting processes and internal control system of the Group and discussed with the external auditors of the condensed consolidated financial statements for the six months ended 30 June 2015. The Audit Committee is of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

Nomination Committee

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

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

Remuneration Committee

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

VIE Agreements

With reference to the Company's annual report 2014 ("2014 Annual Report") and the Company's announcements dated 20 May 2014 ("2014 Announcement") and 16 May 2015 ("2015 Announcement") respectively, the Company entered into a series of contractual agreements (the "VIE Agreements") as further detailed in the 2014 Announcement and note 35 (ii) to the consolidated financial statements as set out in the 2014 Annual Report. By entering into the VIE Agreements, a structure ("VIE Structure") has been established to enable the Group to effectively hold and control Shenzhen Yinruiji Cultural Development Company Limited ("Structured Entity"), a limited company established in the PRC.

Reasons for using the VIE Structure

The primary purpose for the Group to adopt the VIE Structure is to enable the Group to formally operate a proprietary online sales platform (www.CSmall.com) (the "Online Platform") owned by the Structured Entity. Since O2O retail business is a key business objective of the Group, the formation of an online sales platform is essential.

However, owing to certain restrictions under the laws and regulations relating to the telecommunication business in the PRC (as detailed in the 2015 Announcement), the equity-owned subsidiaries of the Company were prohibited from operating the Online Platform directly without first adopting the VIE Structure. After seeking advice from the PRC legal adviser that a VIE structure is a commonly used structure by foreign internet companies to overcome the barrier, the Group established the VIE Structure on 20 May 2014.

Significance and financial contribution of the Structured Entity to the Group

For the year ended 31 December 2014, the aggregate revenue attributable to the Structured Entity amounted to about RMB17.7 million and represents about 1.2% of the Group's total revenue. As at 31 December 2014, the assets attributable to the Structured Entity was immaterial.

Risks associated with the VIE Structure

In connection with the VIE Structure, the Group is subject to certain risks and limitations, which are summarized below:

If the Structured Entity fails to obtain the requisite licenses and approvals to continually operate its online sales business in the PRC, the Group's business and financial position may be adversely affected.

As mentioned in the 2015 Announcement, foreign direct investment in value-added telecommunications business is governed by the FITE Regulations, which require a foreign investor who would like to acquire any equity interest in the value-added telecommunications business to meet the certain qualification requirement (i.e. such foreign investor is required to have a good track record and experience in providing value-added telecommunications business, "Qualification Requirement"). The Group has been taking steps to build up its business record and experience, but given the lack of guidelines in this unclear area of the law, there is no guarantee that the steps taken will be sufficient to enable the Company to ultimately acquire the ownership in the Structured Entity.

Under the Exclusive Option Agreement, 深圳國銀通寶有限公司 (Shenzhen Guoyintongbao Company Limited*, "SZ Silver") has the sole discretion to require the shareholders of the Structured Entity to transfer their equity interest in the Structured Entity to SZ Silver at the lower of (i) the amount of the registered capital contributed by the shareholders in accordance with their respective percentage of equity interest in the Structured Entity and (ii) the lowest price permitted under the PRC laws. The relevant PRC authorities may require SZ Silver to pay a substantial amount of enterprise income tax for the income from the ownership transfer if the purchase price is set below the market value. The exercise of the option to acquire the ownership of the Structured Entity may therefore be subject to substantial costs.

Although the PRC legal adviser to the Company expressed the view that the VIE Structure is in compliance with the relevant PRC laws and regulations, uncertainties exist regarding the interpretation and application of the PRC laws and regulations, especially in the area of value-added telecommunications business. If the PRC government determines that the VIE Agreements do not comply with the applicable laws and regulations of the PRC or issues further guidelines that impose stricter foreign ownership requirements in that area of business, the Group's O2O retail business may be adversely affected.

The VIE Agreements may not provide control as effective as direct ownership. Under the VIE Structure, the Group operates its sales business through the Online Platform. The Group has to rely on SZ Silver's rights under the VIE Agreements to effect changes in the management of the Structured Entity and make an impact on its business decision making, as opposed to exercising its rights directly as a registered equity-holder. If the Structured Entity or its registered equity-holders refuse to cooperate, the Company will face difficulties in effecting control over the Structured Entity's operation of business through the VIE Structure, which may adversely affect the Company's business efficiency.

The registered equity-holders ("Registered Equity-holders") of the Structured Entity may have potential conflicts of interest with the Group. Although there are provisions under the Exclusive Option Agreement to prevent those situations, conflicts of interest may still arise when the interest of any Registered Equity-holder does not align with that of the Company, and such Registered Equity-holder may breach or cause the Structured Entity to breach the VIE Agreements. If the Group fails to resolve this internally, it may have to resort to formal dispute resolution proceedings, which may be costly and time-consuming and which outcome is uncertain. If ultimately any Registered Equity-holder has to be removed, it may be difficult for the Company to maintain investors' confidence in the VIE Structure.

Under the Exclusive Consultancy and Services Agreement, the Structured Entity is required to pay SZ Silver a service fee for the services rendered by SZ Silver. Such service fee payments between related parties may be subject to scrutiny or challenge by the PRC tax authorities within ten years after the taxable year during which such transactions are conducted.

Although the Company intends to take the steps as described above to meet the Qualification Requirement and the Company's PRC legal adviser has confirmed that the overseas business experience can be counted towards the Qualification Requirement, there is no assurance that those steps will be sufficient to satisfy the Qualification Requirement, especially when the relevant PRC authorities have not issued any clear guidance as to the interpretation of the Qualification Requirement. Thus, there is a risk that when the foreign ownership restrictions are lifted in the future, the Group may be required to unwind the VIE Structure before it is in a position to comply with the Qualification Requirement.

Up to 31 December 2014, the Group does not maintain any insurance to cover the risks relating to the VIE Agreements.

Despite the above, as advised by the PRC legal advisers to the Company, the VIE Structure is in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under, the current PRC laws. The Company will monitor the relevant PRC laws and regulations relevant to the VIE Structure and will take all necessary actions to protect the Company's interest in the Structured Entity.

Material changes

Save as disclosed in the 2014 Annual Report and above, as at the date of the 2014 Annual Report, there has not been any material change in the VIE Structure and/or the circumstances under which they were adopted.

Unwinding of the VIE Structure

Up to the date of the 2014 Annual Report, there has not been any unwinding of the VIE Structure, nor has there been any failure to unwind the VIE Structure when the restrictions that led to the adoption of the VIE Structure are removed.

On behalf of the Board
Sung Kin Man
Chief Executive Officer and Executive Director

Hong Kong, 17 August 2015

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

Introduction

We have reviewed the condensed consolidated financial statements of China Silver Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June	
		2015	2014
	NOTES	**RMB'000**	RMB'000
		(unaudited)	(unaudited)
Revenue	*3*	**554,653**	687,903
Cost of sales		**(455,179)**	(526,451)
Gross profit		**99,474**	161,452
Other income		**1,420**	1,118
Administrative expenses		**(56,185)**	(17,469)
Selling and distribution expenses		**(7,356)**	(1,333)
Research and development expenses		**(958)**	(950)
Other gains (losses)		**3,731**	(1,421)
Other expenses		**(11,224)**	(13)
Finance costs	*4*	**(3,758)**	(4,105)
Profit before tax		**25,144**	137,279
Income tax expense	*5*	**(11,420)**	(3,553)
Profit and total comprehensive income for the period	*6*	**13,724**	133,726
		RMB	RMB
Earnings per share	*8*		
Basic		**0.012**	0.148
Diluted		**0.012**	0.148

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	NOTES	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**189,534**	182,720
Prepaid lease payments		**18,786**	19,003
Intangible assets		**6,339**	5,443
Deferred tax asset		**2,253**	2,307
Deposits paid for acquisition of property, plant and equipment		**5,945**	–
Interest in an associate	17(III)	**200**	200
		223,057	209,673
CURRENT ASSETS			
Prepaid lease payments		**432**	432
Inventories	11	**508,174**	136,390
Trade and other receivables	10	**135,473**	52,789
Trade deposits		**13,385**	5,233
Pledged bank deposit		**20,100**	20,100
Bank balances and cash		**830,994**	740,434
		1,508,558	955,378
CURRENT LIABILITIES			
Trade and other payables	11	**70,190**	43,288
Customer receipts in advance		**37,328**	378
Income tax payable		**10,762**	13,054
Bank borrowings	12	**149,989**	130,139
		268,269	186,859
NET CURRENT ASSETS		**1,240,289**	768,519
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,463,346**	978,192

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	NOTES	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	13	10,625	7,362
Share premium and reserves		1,443,852	746,529
TOTAL EQUITY		1,454,477	753,891
NON-CURRENT LIABILITIES			
Receipts in advance for issue of shares		–	215,075
Deferred income		8,869	9,226
		8,869	224,301
TOTAL EQUITY AND NON-CURRENT LIABILITIES		1,463,346	978,192

	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 2014 (audited)	7,362	112,776	1,443	32,141	61,898	319,386	535,006
Profit and total comprehensive income for the period	–	–	–	–	–	133,726	133,726
Recognition of equity-settled share-based payments	–	–	1,426	–	–	–	1,426
Transfer	–	–	–	–	1,851	(1,851)	–
Dividends *(note 7)*	–	(21,642)	–	–	–	–	(21,642)
At 30 June 2014 (unaudited)	7,362	91,134	2,869	32,141	63,749	451,261	648,516
At 1 January 2015 (audited)	**7,362**	**76,887**	**7,877**	**32,141**	**91,435**	**538,189**	**753,891**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**13,724**	**13,724**
Recognition of equity-settled share-based payments	**–**	**–**	**14,296**	**–**	**–**	**–**	**14,296**
Issue of shares upon exercise of share options	**28**	**4,144**	**(1,435)**	**–**	**–**	**–**	**2,737**
Placing of shares	**3,134**	**685,936**	**–**	**–**	**–**	**–**	**689,070**
Transaction costs attributable to issue of shares	**–**	**(9,928)**	**–**	**–**	**–**	**–**	**(9,928)**
Issue of shares pursuant to scrip dividend scheme for 2014 final dividend *(note 7)*	**101**	**33,415**	**–**	**–**	**–**	**–**	**33,516**
Dividends *(note 7)*	**–**	**(42,829)**	**–**	**–**	**–**	**–**	**(42,829)**
At 30 June 2015 (unaudited)	**10,625**	**747,625**	**20,738**	**32,141**	**91,435**	**551,913**	**1,454,477**

notes:

(i) The capital reserve represents the sum of (a) RMB31,487,000 being the excess of the consideration paid by an independent investor to acquire 10% interest in the Group over the par value of the share capital subscribed; and (b) RMB654,000 being the excess of the share capital of a subsidiary acquired by the Company over the nominal consideration of US$1 paid, as part of the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 December 2012 (the "Listing").

(ii) According to the relevant laws of the People's Republic of China (the "PRC"), the Company's subsidiaries established in the PRC have to transfer a portion of their profits after taxation to the statutory reserve. The transfer to this reserve must be made before the distribution of a dividend to the equity owners. The transfer can cease when the balance of the reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can be applied either to set off accumulated losses or to increase capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(352,798)**	105,952
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(14,951)**	(13,889)
Payment for expenses on acquisition projects	**(9,452)**	–
Deposits paid for acquisition of property, plant and equipment	**(5,945)**	(1,057)
Purchase of intangible assets	**(1,339)**	–
Interest received	**1,063**	749
Proceeds on disposal of property, plant and equipment	**283**	178
NET CASH USED IN INVESTING ACTIVITIES	**(30,341)**	(14,019)
FINANCING ACTIVITIES		
Proceeds from placing of shares	**473,984**	–
Bank borrowings raised	**20,000**	–
Proceeds from issue of shares upon exercise of share options	**2,714**	–
Transaction costs attributable to issue of shares	**(9,928)**	–
Dividend paid	**(9,313)**	–
Interest paid	**(3,758)**	(4,105)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**473,699**	(4,105)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**90,560**	87,828
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**740,434**	381,144
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**830,994**	468,972

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the new or revised International Financial Reporting Standards ("IFRSs") newly adopted by the Group in the current interim period which is disclosed below.

New and revised IFRSs

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle

The application of the new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

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

(ii) retailing and wholesaling of silver jewellery and collectibles in the PRC ("O2O segment").

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

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

	Six months ended 30 June 2015				
	Manufacturing segment RMB'000	O2O segment RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	340,596	214,057	554,653	–	554,653
Inter-segment sales	176,653	159,670	336,323	(336,323)	–
Total segment revenue	517,249	373,727	890,976	(336,323)	554,653
Results					
Segment results	46,446	20,637	67,083		67,083
Non-segment items					
Unallocated income, expenses and losses					(38,181)
Finance costs					(3,758)
Profit before tax					25,144

3. REVENUE AND SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2014				
	Manufacturing segment RMB'000	O2O segment RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	625,866	62,037	687,903	–	687,903
Inter-segment sales	10,513	–	10,513	(10,513)	–
Total segment revenue	636,379	62,037	698,416	(10,513)	687,903
Results					
Segment results	118,782	28,205	146,987		146,987
Non-segment items					
Unallocated income, expenses and losses					(5,603)
Finance costs					(4,105)
Profit before tax					137,279

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.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Analysis of revenue by products

An analysis of revenue by products is as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Manufacturing segment		
Silver ingot	**200,852**	397,825
Lead ingot	**73,210**	119,216
Others	**66,534**	108,825
	340,596	625,866
O2O segment		
Silver jewellery and collectibles	**214,057**	62,037
	554,653	687,903

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

4. FINANCE COSTS

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

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
PRC Enterprise Income Tax ("EIT")		
– current period	**11,356**	21,974
– under(over)provision in respect of prior years	**10**	(18,510)
	11,366	3,464
Deferred taxation for the period	**54**	89
	11,420	3,553

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

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

Under the EIT Law, withholding tax is imposed on dividends payable to non-PRC shareholders when it is declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in these condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately RMB674.4 million as at 30 June 2015 (31 December 2014: RMB607.6 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	**443**	181
Cost of inventories recognised as expenses	**455,179**	526,451
Depreciation of property, plant and equipment	**8,045**	7,149
Interest income	**(1,063)**	(749)
(Gain) loss on disposal of property, plant and equipment	**(191)**	1,310
Net exchange (gain) loss	**(3,545)**	111
Release of deferred income	**(357)**	(357)
Release of prepaid lease payments	**217**	217
Expenses and professional fees for acquisition projects and fund raising activities	**11,094**	–

7. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Dividends recognised as distributions during the period:		
– Final dividend of HK$0.05 per share for the year ended 31 December 2014	**42,829**	–
– Final dividend of HK$0.03 per share for the year ended 31 December 2013	**–**	21,642
	42,829	21,642
Dividends in form of:		
– Cash	**9,313**	21,642
– Scrip dividend	**33,516**	–
	42,829	21,642

Subsequent to 30 June 2015, the directors of the Company have determined that an interim dividend of HK$0.01 per share (six months ended 30 June 2014: HK$0.02 per share) will be paid to the owners of the Company whose names appear in the Register of Members on 16 October 2015.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Earnings		
Profit for the period	**13,724**	133,726
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,136,818**	906,186
Effect of dilutive potential ordinary shares:		
Share options	**21,930**	107
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,158,748**	906,293

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of RMB14,951,000 (six months ended 30 June 2014: RMB15,089,000) mainly for the expansion of its production scale and enhancement of production efficiency.

10. TRADE AND OTHER RECEIVABLES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade receivables	**63,217**	35,409
Prepayments	**30,853**	17,380
Other receivables *(note)*	**41,403**	–
	135,473	52,789

Manufacturing segment

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

O2O segment

The Group generally does not grant a credit period to online and retail customers, whose sales are mainly on cash basis. For multimedia and wholesale customers, they are normally granted a credit period of 30 days. The Group also normally demands advance deposit before delivery of goods to wholesale customers.

note: Other receivables include value-added tax rebate of RMB21,489,000 (31 December 2014: Nil)

11. INVENTORIES/TRADE AND OTHER PAYABLES

	30 June 2015 RMB'000	31 December 2014 RMB'000
The amount comprises:		
Trade payables, aged within 30 days	**53,802**	21,236
Other payables and accrued expenses	**13,406**	16,231
Value-added tax and other taxes payables	**2,982**	5,821
	70,190	43,288

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

The balance of inventories and trade payables as at 30 June 2015 increased significantly as compared to those at 31 December 2014 because of management's decision to keep a higher level of raw materials to cater for the manufacturing operation in the second half of 2015.

12. BANK BORROWINGS

During the six months ended 30 June 2015, the Group obtained new short-term bank borrowings of RMB20,000,000 (six months ended 30 June 2014: Nil) and no repayments was made for both interim periods.

Bank borrowings of RMB129,989,000 (31 December 2014: RMB130,139,000) carry interest at fixed rates ranging from 3.71% – 6.16% (31 December 2014: 3.71% – 6.16%) per annum and were secured by certain of the Group's assets as set out in note 16. The remaining balance of RMB20,000,000 (31 December 2014: Nil) carry interest of floating rate of the PRC Loan Prime Rate plus 0.05% per annum.

13. SHARE CAPITAL

	Number of shares	Share capital	
		HK$'000	RMB'000
Ordinary share of HK$0.01 each:			
Authorised			
At 1 January 2014, 31 December 2014 and 30 June 2015	3,000,000,000	30,000	24,386
Issued			
At 1 January 2014 and 31 December 2014	906,186,000	9,062	7,362
Placing of new share as at 2 January 2015 *(note i)*	180,000,000	1,800	1,425
Exercise of share option as at 17 March 2015 *(note ii)*	3,600,000	36	28
Placing of new share as at 22 May 2015 *(note i)*	200,000,000	2,000	1,568
Scrip dividend as at 29 May 2015 *(note iii)*	12,854,589	128	101
Placing of new shares as at 1 June 2015 *(note i)*	17,956,000	180	141
At 30 June 2015	1,320,596,589	13,206	10,625

notes:

(i) During the six months ended 30 June 2015, the Company placed 180,000,000, 200,000,000, and 17,956,000 shares on 2 January 2015, 22 May 2015 and 1 June 2015 respectively. All the net proceeds from the placings will be applied for the expansion of the Company's downstream silver retailing business, its potential upstream acquisitions and general working capital.

(ii) During the six months ended 30 June 2015, share options were exercised to subscribe for 3,600,000 (2014: Nil) shares of the Company. The share option exercise price was HK$0.96 (2014: Nil) per share.

(iii) During the period ended 30 June 2015, pursuant to the scrip dividend scheme which was announced by the Company on the 29 May 2015, the Company issued 12,854,589 new ordinary shares of HK$0.01 each in the Company to the shareholders, representing dividends in the aggregate amount of approximately HK$33,416,000, who elected to receive scrip dividend in respect of the final dividend for the year ended 31 December 2014.

14. COMMITMENTS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of intangible assets	**1,370**	–

15. 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.

15. SHARE OPTION SCHEME (Continued)

(b) The following table discloses movements of Company's options under the Scheme held by the Group's directors and employees:

Date of grant	Exercise price per share	Outstanding at 1.1.2015	Granted during the period	Exercised during the period	Outstanding at 30.06.2015
3 July 2013	0.96	12,000,000	–	(3,600,000)	8,400,000
20 August 2014	2.20	27,000,000	–	–	27,000,000
2 January 2015	1.80	–	49,000,000	–	49,000,000
		39,000,000	49,000,000	(3,600,000)	84,400,000

The 8,400,000 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 2015 to 2 July 2023 in two batches, being:

- 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)

15. SHARE OPTION SCHEME (Continued)

(b) (Continued)

The 49,000,000 outstanding share options granted on 2 January 2015 with exercise price of HK$1.8 per share are exercisable during the period from 2 January 2016 to 2 January 2025 in three batches, being:

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

The closing prices of the Company's shares immediately before 3 July 2013, 20 August 2014 and 2 January 2015, the dates of grant, were HK$0.95, HK$2.2 and HK$1.80 respectively.

(c) The estimated fair values of the options granted on 2 January 2015 amounted to RMB27,786,000. These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2015
Weighted average share price	**HK$1.77**
Exercise price	**HK$1.80**
Expected volatility	**60.94%**
Expected life	**10 years**
Risk-free rate	**1.90%**
Expected dividend yield	**5.26%**

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.

15. SHARE OPTION SCHEME (Continued)

(d) The Group recognised the total expense of RMB14,296,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB1,426,000) 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.

(e) At 22 May 2015, 55,000,000 share options granted approved by the board of directors was subsequently cancelled in the same day.

16. PLEDGE OF ASSETS

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Buildings	**65,643**	67,426
Prepaid lease payments – land use rights	**11,047**	11,175
Inventories	**235,134**	66,918
Bank deposit	**20,100**	20,100
	331,924	165,619

17. RELATED AND CONNECTED PARTY DISCLOSURES

(I) Related party balance

Details of the related party balance are set out in note 11.

(II) Compensation of key management personnel

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Short-term benefits	**10,739**	3,450
Post-employment benefits	**56**	32
	10,795	3,482

(III) Connected person transaction

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