



中國白銀集團
CHINA SILVER GROUP

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

Interim Report **2013**

SOLID
GROWTH



CONTENTS



Corporate Information	2
Management Discussion and Analysis	4
Corporate Governance and Other Information	10
Report on Review of Condensed Consolidated Financial Statements	15
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	17
Condensed Consolidated Statement of Financial Position	18
Condensed Consolidated Statement of Changes in Equity	20
Condensed Consolidated Statement of Cash Flows	22
Notes to the Condensed Consolidated Financial Statements	23

Executive directors

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

Independent non-executive directors

Li Haitao (李海濤)
Jiang Tao (姜濤)
Zeng Yilong (曾一龍)

Audit committee

Zeng Yilong (*Chairman*)
Jiang Tao
Li Haitao

Remuneration committee

Li Haitao (*Chairman*)
Chen Wantian
Jiang Tao

Nomination committee

Chen Wantian (*Chairman*)
Jiang Tao
Li Haitao

Company secretary

Moy Yee Wo, Matthew (梅以和), HKICPA

Authorized representatives

Chen Wantian
Moy Yee Wo, Matthew

Cayman Islands share registrar and transfer office

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

Hong Kong share registrar

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

Registered office

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

Headquarters in the PRC

Western Industrial Park
Yongfeng County
Ji An City
Jiangxi Province
PRC

Place of business in Hong Kong

35/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

Company's website

www.chinasilver.hk



Place of listing and stock code

The Stock Exchange of Hong Kong Limited
815

Principal bankers

Bank of Ganzhou
Agricultural Bank of China

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Legal advisors

Hong Kong law:
Stephenson Harwood

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

Compliance advisor

CCB International Capital Limited

Investors and media relations

Hill+Knowlton Strategies



Business Review

During the first half of 2013, we experienced severe volatility in the global commodity market and a slowdown in the Chinese economy. Albeit an extremely difficult backdrop that worked against us, we still managed to achieve positive growth in both revenue and profit as compared to the same period last year.

For the six months ended 30 June 2013, the Group's revenue reached approximately RMB801 million (2012: RMB621 million), representing an increase of approximately 29.0% over the same period last year. Our key product, silver ingot under our popular "Longtianyong" brand, continued to be our major source of revenue, representing over 70% of our consolidated revenue. Profit attributable to owners of the Company amounted to RMB59.4 million (2012: RMB54.5 million), representing an increase of approximately 9.2% over the same period last year.

Due to concerns over the withdrawal of the quantitative easing by the US government, the global commodity market was extremely volatile in the first half of 2013. The domestic market price (value-added tax ("VAT") inclusive) of No.1 international silver quoted on the Shanghai White Platinum & Silver Exchange declined from RMB6,440 per kg by the end of January 2013 to RMB3,770 per kg by the end of June 2013, representing a decrease of 41.5%. As a result, our profitability was inevitably affected by these short-term fluctuations.

Nevertheless, we continued to improve our production efficiency and utilization rate in order to offset the impact brought by the decrease in the price of silver. During the first half of 2013, we achieved full utilization of our production capacity and sold 125 tonnes of silver ingots, an increase of 39 tonnes or approximately 45.3% over the last period. Along with the increase in production volume of silver ingots, the increase in other non-ferrous metals of commercial value also helped to partly offset the volatility.

Prospects

Looking ahead, we remain optimistic about the long-term outlook of domestic demand for silver. Notably, in April 2013, the decline in international gold price triggered a spectacular gold buying frenzy among local consumers. In July 2013, the introduction of the night trading session for gold and silver futures in China generated strong reception among domestic investors. These developments suggest the potential of the largely unmet demand for precious metals among local consumers. Riding on the sustained growth in China's consumption power, we expect demand for silver to continue to grow at a steady rate in long run.



Meanwhile, as the international silver price gradually stabilizes over time, we are hopeful that our margin and profitability will return to normal level in a foreseeable future.

In order to capture the opportunities brought by these positive market trends, as stated in the prospectus of the Company dated 14 December 2012 (the “Prospectus”), we plan to expand our production capacity of silver ingots from our current designed capacity of 250 tonnes to 650 tonnes per annum by the end of 2015 through phases. The underlying construction has been in progress as planned.

Apart from that, we will continue to look for suitable merger and acquisition opportunities. While we remain cautious, we expect more opportunities to arise after the significant retreat in the international commodity price.

In sum, we are determined to become one of the leading integrated silver producers in the world.

Financial Review

Revenue

The revenue of the Group for the six months ended 30 June 2013 was approximately RMB801 million (2012: RMB621 million), representing an increase of approximately 29.0% from that of last period. During the production process of silver ingot, we also recover and refine other metal by-products such as lead ingot, bismuth ingot and antimony ingot. The revenue breakdown by products categories is set out in the table below:

	Six months ended 30 June			
	2013		2012	
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue
Silver ingot	571,260	71.3%	468,522	75.5%
Lead ingot	121,852	15.2%	84,459	13.6%
Bismuth ingot	54,519	6.8%	38,023	6.1%
Antimony ingot	32,852	4.1%	23,865	3.8%
Others	20,402	2.6%	6,006	1.0%
Total	800,885	100%	620,875	100%



MANAGEMENT DISCUSSION AND ANALYSIS

The sales of silver ingot increased from RMB469 million to RMB571 million for the six months ended 30 June 2013, representing an increase of RMB102 million, or 21.9%, from that of last period. The increase was mainly driven by the increase in sales volume from 86 tonnes to 125 tonnes, and was partially offset by a decrease in the average selling price of RMB5.4 million (VAT exclusive) per tonne to RMB4.6 million per tonne.

Since metal by-products such as lead ingot, bismuth ingot and antimony ingot are produced during the production of our silver ingot, the increase in sales volume of the by-products were roughly in line with that of our silver ingot.

Cost of Sales and Gross Profit

We recorded gross profit of RMB98.6 million (2012: RMB89.3 million) for the six months ended 30 June 2013, an increase of 10.4% as compared to that of last period.

Our cost of sales mainly represents the cost of raw materials consumed, direct labor and manufacturing overhead. Cost of raw materials consumed accounted for approximately 96% of our cost of sales. The purchase cost of raw material is determined by the content levels of silver and lead at market prices at the time of purchase; other types of minerals or metals are not taken into account when determining purchase price.

Gross profit margin dropped from 14.4% to 12.3% mainly due to the decrease in international commodity prices mentioned above.

Administrative Expenses

Administrative expenses increased by approximately 42.8% from RMB8.5 million to RMB12.1 million for the six months ended 30 June 2013. The increase was mainly due to additional staff costs and legal and professional fees incurred after the shares of the Company had been listed on The Stock Exchange of Hong Kong Limited on 28 December 2012 (the "Listing").

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of transportation costs and staff costs and was generally in line with the increase in sales volume.

Research and Development Expenses

Research and development expenses decreased from RMB3.2 million to RMB1.0 million, or approximately 69.5%, mainly due to the completion of the non-recurring research projects during last period.



Finance Costs

Finance costs increased by approximately 19.0% to approximately RMB4.2 million primarily due to the increase in average bank borrowing balance during the period to support our production and expansion.

Income Tax Expense

The effective tax rate remained stable at around the statutory rate of 25%.

Profit Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased from RMB54.5 million for the six months ended 30 June 2012 to RMB59.4 million for the six months ended 30 June 2013. Net profit margin dropped slightly from 8.8% to 7.4% primarily due to the decrease in gross margin.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group's inventories mainly comprise of raw materials of ore powder and smelting slag. For the six months ended 30 June 2013, inventory turnover days was approximately 38.6 days (for the year ended 31 December 2012: 46.4 days). The decrease in inventory turnover days was due to the continual improvement of operational efficiency.

The turnover days for trade receivables for the six months ended 30 June 2013 was approximately 3.0 days (for the year ended 31 December 2012: 2.1 days). The Group generally requires customers to prepay 60% to 90% of the purchase price of the products before delivery. The balance will normally be settled within 10 days after delivery.

The turnover days for trade payables was approximately 4.8 days (for the year ended 31 December 2012: 3.6 days). We are generally required by our suppliers to prepay 30-50% of the purchase price of our raw materials prior to delivery, with the balance to be settled within one month after delivery.

Borrowings

As of 30 June 2013, the Group's bank borrowings balance amounted to RMB110 million (as of 31 December 2012: RMB110 million). The amounts are carried at fixed interest rates and will be due for repayment within one year.

The Group's net gearing ratio was calculated on the basis of total bank borrowings less bank balances and cash as a percentage of shareholder equity. As of 30 June 2013, the Group is in a net cash position with a net gearing ratio of -40.4% (as of 31 December 2012: -28.4%).



Pledge of Assets

As of 30 June 2013, the Group pledged property ownership rights in respect of buildings, land use rights and inventories with total carrying value of RMB60.6 million, RMB11.6 million and RMB60.4 million, respectively (as of 31 December 2012: RMB62.4 million, RMB11.7 million and RMB82.1 million) to secure the general banking facilities granted to the Group.

Capital Expenditures

For the six months ended 30 June 2013, the Group invested RMB26.4 million in property, plant and equipment (2012: RMB16.2 million in property, plant and equipment, prepayments for leasehold land and an intangible asset). The increase was mainly due to the expansion of production capacity as stated in the Prospectus.

Employees

As of 30 June 2013, the Group employed 670 staff (as of 31 December 2012: 668 staff) and the total remuneration for the six months ended 30 June 2013 amounted to approximately RMB17.4 million (2012: RMB15.0 million). The Group's remuneration packages are in line with current legislation in relevant jurisdictions, the experience and qualifications of individual employees and general market conditions. Bonuses are linked to the Group's financial results as well as to individual 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 2013, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB303 million (as of 31 December 2012: RMB222 million), RMB295 million (as of 31 December 2012: RMB234 million) and RMB486 million (as of 31 December 2012: RMB404 million), respectively.



Significant Investment Held, Material Acquisition and Disposal

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

Use of Proceeds from the Listing

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK\$101 million, which had been intended to be applied in the manner consistent with that in the Prospectus. As of 30 June 2013, RMB25.7 million has been used in the manner as described in the Prospectus and RMB75.3 million remained unutilized.

Interim Dividend

The Board has resolved to declare an interim dividend for the six months ended 30 June 2013 of HK\$0.02, totaling HK\$18.1 million (amounted to approximately RMB14.4 million) (2012: Nil). The interim dividend will be payable on or about 18 September 2013 to shareholders whose names appear on the register of members of the Company on 3 September 2013.

Closure of Register of Members

The register of members of the Company will be closed from 30 August 2013 to 3 September 2013 (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 29 August 2013.



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

As of 30 June 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

Notes:

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

Save as disclosed above, as at 30 June 2013, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



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

The register of substantial shareholders required to be kept by our Company under Section 336 of Part XV of the SFO shows that as of 30 June 2013, in addition to the interests disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", our Company was notified of the following substantial shareholders' interests and short positions in the Shares and underlying Shares, being interests of 5% or more.

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Best Conduct Investments Limited	Beneficial interest ¹	123,520,000	13.63%
Richwise Capital Group Ltd	Interest in controlled corporation ¹	123,520,000	13.63%
Mr. Shi Jinlei	Interest in controlled corporation ¹	123,520,000	13.63%
Easy Eight Limited	Beneficial interest ²	93,840,000	10.36%
Easy Eight Guernsey Limited	Interest in controlled corporation ²	93,840,000	10.36%

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

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

Except as disclosed above, as at 30 June 2013, our Company has not been notified by any person or corporation who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by our Company under Section 336 of Part XV of the SFO.



Purchase, Sale or Redemption of the Listed Securities of our Company

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Share Option Scheme

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

As of 30 June 2013, no option under the Share Option Scheme has been granted by the Company.

Subsequent to 30 June 2013, a total of 12,000,000 options were granted to two executive directors and certain employees of the Company or its subsidiaries under the Share Option Scheme by the Company on 3 July 2013.

Code of Corporate Governance Practice

During the six months ended 30 June 2013, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules, except for the following deviations:

Pursuant to code provision A.2.1 of the Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. Chen 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.



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 2013.

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. 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 2013. 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 (“**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 (“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.

On behalf of the Board

Chen Wantian

Chairman

Hong Kong, 15 August 2013



Deloitte.

德勤

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 17 to 32, which comprise the condensed consolidated statement of financial position as of 30 June 2013 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.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

15 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013



		Six months ended 30 June	
	Notes	2013 RMB'000 (unaudited)	2012 RMB'000 (audited)
Revenue	3	800,885	620,875
Cost of sales		(702,276)	(531,551)
Gross profit		98,609	89,324
Other income		456	104
Administrative expenses		(12,080)	(8,459)
Selling and distribution expenses		(734)	(575)
Research and development expenses		(975)	(3,199)
Other losses		(1,466)	(142)
Other expenses		(100)	(10)
Listing expenses		-	(325)
Finance costs	4	(4,161)	(3,498)
Profit before tax		79,549	73,220
Income tax expense	5	(20,104)	(18,761)
Profit and total comprehensive income for the period	6	59,445	54,459
Earnings per share	8	RMB	RMB
Basic		0.066	0.081
Diluted		0.066	N/A



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	<i>Notes</i>	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	163,138	142,757
Prepaid lease payments		19,655	19,872
Intangible asset		5,487	5,668
Deferred tax asset		2,500	2,500
		190,780	170,797
CURRENT ASSETS			
Prepaid lease payments		432	432
Inventories		127,256	168,672
Trade receivables and prepayments	10	13,025	14,009
Trade deposits		3,673	11,987
Bank balances and cash		302,522	221,908
		446,908	417,008
CURRENT LIABILITIES			
Trade and other payables	11	28,766	47,728
Customer receipts in advance		-	600
Income tax payable		12,799	25,173
Bank borrowings	12	110,000	110,000
		151,565	183,501
NET CURRENT ASSETS		295,343	233,507
TOTAL ASSETS LESS CURRENT LIABILITIES		486,123	404,304

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013



	<i>Note</i>	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	13	7,362	7,172
Share premium and reserves		468,761	387,132
TOTAL EQUITY		476,123	394,304
NON-CURRENT LIABILITY			
Deferred income		10,000	10,000
TOTAL EQUITY AND NON-CURRENT LIABILITY		486,123	404,304



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Paid-in capital/ share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 <i>(note i)</i>	Statutory reserve RMB'000 <i>(note ii)</i>	Retained profits RMB'000	Total RMB'000
At 1 January 2012 (audited)	110,338	–	–	29,224	106,980	246,542
Profit and total comprehensive income for the period	–	–	–	–	54,459	54,459
Reorganisation	(110,000)	–	–	–	–	(110,000)
Dividend paid <i>(note 7)</i>	–	–	–	–	(44,000)	(44,000)
At 30 June 2012 (audited)	338	–	–	29,224	117,439	147,001
Profit and total comprehensive income for the period	–	–	–	–	103,283	103,283
Issue of shares by the Company	1	–	–	–	–	1
Reorganisation	(338)	–	32,141	–	–	31,803
Capitalisation issue <i>(note 13(iv))</i>	6,096	(6,096)	–	–	–	–
Issue of new shares pursuant to the global offering <i>(note 13(v))</i>	1,075	125,879	–	–	–	126,954
Shares issue expenses	–	(14,738)	–	–	–	(14,738)
Transfer	–	–	–	18,476	(18,476)	–

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013



	Paid-in capital/ share capital	Share premium	Capital reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000 <i>(note i)</i>	RMB'000 <i>(note ii)</i>	RMB'000	RMB'000
At 31 December 2012 (audited)	7,172	105,045	32,141	47,700	202,246	394,304
Profit and total comprehensive income for the period	-	-	-	-	59,445	59,445
Issue of new shares pursuant to the over-allotment option <i>(note 13(vi))</i>	190	22,184	-	-	-	22,374
Transfer upon deregistration of a subsidiary	-	-	-	(91)	91	-
At 30 June 2013 (unaudited)	7,362	127,229	32,141	47,609	261,782	476,123

notes:

- (i) The capital reserve represents the sum of (a) RMB31,487,000 being the excess of the consideration paid by an independent investor to acquire 10% interest in the Group over the par value of the share capital subscribed; and (b) RMB654,000 being the excess of the share capital of a subsidiary acquired by the Company over the nominal consideration of US\$1 paid, as part of the Reorganisation (as defined in note 1).
- (ii) According to the relevant requirements in the memorandum of association of Jiangxi Longtianyong Nonferrous Metals Co., Ltd. ("Longtianyong Nonferrous Metals"), a wholly owned subsidiary of the Group established in the People's Republic of China (the "PRC"), a portion of its profits after taxation has to be transferred to the statutory reserve. The transfer to this reserve must be made before the distribution of a dividend to the equity owners. The reserve can be applied either to set off accumulated losses or to increase capital.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (audited)
NET CASH FROM OPERATING ACTIVITIES	88,564	102,436
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(26,439)	(2,133)
Interest received	276	104
Prepayments for leasehold land	-	(1,878)
Acquisition of an intangible asset	-	(1,200)
Government grant received	-	2,000
Proceeds on disposal of property, plant and equipment	-	34
NET CASH USED IN INVESTING ACTIVITIES	(26,163)	(3,073)
FINANCING ACTIVITIES		
New bank borrowings raised	30,000	30,000
Proceeds from issue of new shares pursuant to the over-allotment option	22,374	-
Repayment of bank borrowings	(30,000)	(70,000)
Interest paid	(4,161)	(3,498)
Dividend paid	-	(44,000)
Receipt of refundable investment deposits	-	21,792
NET CASH FROM (USED IN) FINANCING ACTIVITIES	18,213	(65,706)
NET INCREASE IN CASH AND CASH EQUIVALENTS	80,614	33,657
CASH AND CASH EQUIVALENTS AT 1 JANUARY	221,908	41,200
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	302,522	74,857

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013



1. BASIS OF PREPARATION

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

The shares of the Company are listed on the Stock Exchange (the "Listing") with effect from 28 December 2012 (the "Listing Date"). In the preparation for the Listing, the Group underwent a reorganisation (the "Reorganisation") to rationalise the holding structure of the companies now comprising the Group, which was completed on 15 August 2012. The principal steps involved in the Reorganisation are set out in the Group's annual financial statements for the year ended 31 December 2012.

The condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows which include the results and cash flows of the companies now comprising the Group for the six months ended 30 June 2012 have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the period, or since their respective dates of establishment/incorporation where this is a shorter period.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new or revised International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current interim period.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

3. REVENUE AND SEGMENT INFORMATION

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

Geographical information

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

Analysis of revenue by products

An analysis of revenue by products is as follows:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Silver ingot	571,260	468,522
Lead ingot	121,852	84,459
Bismuth ingot	54,519	38,023
Antimony ingot	32,852	23,865
Non-standard gold	10,110	3,658
Zinc oxide	10,051	2,051
Others	241	297
	800,885	620,875

4. FINANCE COSTS

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Interest on bank borrowings wholly repayable within five years	4,161	3,498

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013



5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
PRC Enterprise Income Tax ("EIT")		
– current period	20,536	18,974
– (over)underprovision in respect of prior years	(432)	287
	20,104	19,261
Deferred taxation for the period	–	(500)
	20,104	18,761

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 Group's PRC subsidiaries are subject to PRC EIT at the statutory rate of 25% (six months ended 30 June 2012: 25%).

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 respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately RMB291.2 million as at 30 June 2013 (31 December 2012: RMB230.3 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible asset	181	151
Cost of inventories recognised as expenses	702,276	531,551
Depreciation of property, plant and equipment	6,058	6,119
Release of prepaid lease payments	217	211
Interest income	(276)	(104)
Loss on disposal of property, plant and equipment	–	103
Net exchange losses	1,466	39

7. DIVIDENDS

The Company has neither paid nor declared any dividend since its incorporation and up to the end of the current interim period. However, prior to the Reorganisation, Longtianyong Nonferrous Metals paid dividend of RMB44,000,000 to its then equity holders during the six months ended 30 June 2012.

Subsequent to 30 June 2013, the directors of the Company have determined that an interim dividend of HK\$0.02 per share (six months ended 30 June 2012: Nil) amounting to HK\$18,124,000 (six months ended 30 June 2012: Nil) will be paid to the owners of the Company whose names appear in the Register of Members on 3 September 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013



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	
	2013 RMB'000	2012 RMB'000
Earnings		
Profit for the period	59,445	54,459
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	903,948	675,000
Effect of dilutive potential ordinary shares:		
Over-allotment option granted in relation to the Listing	324	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	904,272	N/A

For the six months ended 30 June 2012, the weighted average number of ordinary shares for the purpose of basic earnings per share was determined assuming the capitalisation issue which was completed on 28 December 2012 and as detailed in note 13(iv) had taken place on 1 January 2012 and taking into account the effect of acquisition of 10% equity interest in the Group on 13 July 2012 through subscription of new shares by an independent investor.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred costs for construction in progress of RMB25,722,000 (six months ended 30 June 2012: Nil) and acquired other property, plant and equipment of RMB717,000 (six months ended 30 June 2012: RMB8,334,000) mainly for the expansion of its production scale.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

10. TRADE RECEIVABLES AND PREPAYMENTS

	30 June 2013 RMB'000	31 December 2012 RMB'000
Trade receivables, aged within 30 days	12,944	13,162

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.

11. TRADE AND OTHER PAYABLES

	30 June 2013 RMB'000	31 December 2012 RMB'000
Trade payables, aged within 30 days	20,342	16,734

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

12. BANK BORROWINGS

During the current interim period, the Group obtained new short-term bank borrowings of RMB30,000,000 (six months ended 30 June 2012: RMB30,000,000) and made repayments of RMB30,000,000 (six months ended 30 June 2012: RMB70,000,000).

The bank borrowings carry interest at fixed rates ranging from 6.60% to 7.50% (31 December 2012: 7.50% to 8.20%) per annum. All the bank borrowings were secured by the Group's buildings, land use rights and inventories, details of which are set out in note 15.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013



13. SHARE CAPITAL

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

notes:

- (i) The Company was incorporated on 19 July 2012 with an authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. At the time of incorporation, 1 ordinary share of HK\$0.01 was issued at par to the subscriber to provide the initial capital to the Company.
- (ii) Pursuant to the resolutions in writing of the shareholders of the Company passed on 5 December 2012, the authorised share capital of the Company was increased from HK\$390,000 to HK\$30,000,000 by the creation of an additional 2,961,000,000 shares of HK\$0.01 each.
- (iii) On 19 July 2012, 99,999 ordinary shares of HK\$0.01 each were allotted and issued at par to an independent investor pursuant to the Reorganisation. These new shares rank *pari passu* with the existing share in all respects.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

13. SHARE CAPITAL (Continued)

notes: (continued)

- (iv) On 28 December 2012 and immediately prior to the Listing, the Company effected a capitalisation issue and allotted and issued a total of 749,900,000 ordinary shares of HK\$0.01 each, credited as fully paid at par, to the then existing shareholders of the Company in proportion of their shares held, by way of capitalisation of a sum of HK\$7,499,000 (equivalent to RMB6,096,000) standing to the credit of the Company's share premium account. The new shares rank pari passu in all respects with the existing shares in issue.
- (v) On the Listing Date, the Company allotted and issued a total of 132,360,000 new ordinary shares of HK\$0.01 each to the public at a price of HK\$1.18 per share pursuant to a global offering. These new shares rank pari passu in all respects with the existing shares in issue.
- (vi) The over-allotment option as referred to in the prospectus of the Company dated 14 December 2012 was fully exercised on 18 January 2013 which required the Company to issue an aggregate of 23,826,000 additional new ordinary shares at the offer price (i.e. HK\$1.18). These new shares rank pari passu in all respects with the existing shares in issue.

14. CAPITAL COMMITMENTS

	30 June 2013 RMB'000	31 December 2012 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	11,283	–
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	159,445	196,450

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013



15. PLEDGE OF ASSETS

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
Buildings	60,575	62,374
Prepaid lease payments – land use rights	11,559	11,687
Inventories	60,395	82,124
	132,529	156,185

16. RELATED AND CONNECTED PARTY DISCLOSURES

(I) Related and connected party transactions

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

Name of company	Nature of transaction	Six months ended 30 June	
		2013 RMB'000	2012 RMB'000
上海御銀堂珠寶首飾有限公司 (note)	Provision of marketing service	302	–

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

16. RELATED AND CONNECTED PARTY DISCLOSURES (Continued)

(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	
	2013 RMB'000	2012 RMB'000
Short-term benefits	2,523	1,363
Post-employment benefits	14	23
	<hr/>	<hr/>
	2,537	1,386

17. EVENT AFTER THE END OF THE REPORTING PERIOD

On 3 July 2013, pursuant to the share option scheme of the Company, the Company granted share options to two executive directors and certain employees of the Group to subscribe for a total of 12,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company with an exercise price of HK\$0.96 per ordinary share. Among the 12,000,000 share options granted, 5,000,000 share options were granted to the following directors of the Company:

Name of director	Number of share options granted
Mr. Chen Wantian	3,500,000
Mr. Song Guosheng	1,500,000
	<hr/>
	5,000,000

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 share options granted are set out in the announcement of the Company dated 3 July 2013.