中國白銀集團
CHINA SILVER GROUP

CHINA SILVER GROUP LIMITED

中 國 白 銀 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 815)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

HIGHLIGHTS OF 2015 ANNUAL RESULTS

- Revenue generated from newly-developed O2O business rose substantially to approximately RMB835 million (2014: RMB291 million), a significant increase of approximately 187% from last year
- O2O business accounted for approximately 48.9% (2014: 19.1%) of our total revenue
- In particular, B2C online sales recorded a sharp increase, representing approximately 25.8% (2014: 6.0%) of the O2O business
- Due to the decrease in international silver price and certain non-cash and non-operating expenses, the Group recorded a net loss attributable to owners of the Company of approximately RMB11 million.

The board of directors (individually, a "**Director**", or collectively, the "**Board**") of China Silver Group Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 RMB'000	2014 RMB'000
Revenue	3	**1,706,665**	1,522,716
Cost of sales		**(1,531,853)**	(1,179,325)
Gross profit		**174,812**	343,391
Other income		**6,203**	3,054
Other gains and losses		**12,358**	(434)
Administrative expenses		**(134,900)**	(50,251)
Selling and distribution expenses		**(18,404)**	(8,172)
Research and development expenses		**(2,027)**	(2,046)
Other expenses		**(22,867)**	(244)
Finance costs		**(7,932)**	(8,104)
Share of results of associates		**(239)**	(400)
Profit before tax		**7,004**	276,794
Income tax expense	4	**(17,975)**	(28,454)
(Loss) profit for the year	5	**(10,971)**	248,340
Other comprehensive expense, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**270**	–
Total comprehensive (expense) income for the year		**(10,701)**	248,340
(Loss) profit for the year attributable to:			
Owners of the Company		**(10,969)**	248,340
Non-controlling interests		**(2)**	–
		(10,971)	248,340
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(10,699)**	248,340
Non-controlling interests		**(2)**	–
		(10,701)	248,340
		RMB	*RMB*
(Loss) earnings per share			
Basic	7	**(0.009)**	0.27
Diluted		**(0.009)**	0.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

	NOTES	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**189,632**	182,720
Prepaid lease payments		**18,568**	19,003
Intangible assets		**7,091**	5,443
Deferred tax asset		**2,128**	2,307
Interests in associates		**63,598**	200
		281,017	209,673
CURRENT ASSETS			
Prepaid lease payments		**432**	432
Inventories	*8*	**236,447**	136,390
Trade receivables, deposits and prepayments	*9*	**168,348**	52,789
Trade deposits		**12,672**	5,233
Amount due from an associate		**39,610**	–
Pledged bank deposit		**–**	20,100
Short-term bank deposit		**500,000**	–
Bank balances and cash		**518,695**	740,434
		1,476,204	955,378
CURRENT LIABILITIES			
Trade and other payables	*10*	**115,473**	43,288
Customer receipts in advance		**1,388**	378
Income tax payable		**6,768**	13,054
Bank borrowings		**130,000**	130,139
		253,629	186,859
NET CURRENT ASSETS		**1,222,575**	768,519
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,503,592**	978,192
CAPITAL AND RESERVES			
Share capital		**10,627**	7,362
Share premium and reserves		**1,435,855**	746,529
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,446,482**	753,891
Non-controlling interests		**48,598**	–
TOTAL EQUITY		**1,495,080**	753,891
NON-CURRENT LIABILITIES			
Receipts in advance for issue of shares		**–**	215,075
Deferred income		**8,512**	9,226
		8,512	224,301
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**1,503,592**	978,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL

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

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

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

The International Accounting Standards Board has issued a number of amendments to International Accounting Standards ("IASs"), IFRSs and a new interpretation ("IFRIC") which are effective for the Group's financial year beginning on 1 January 2015 (hereinafter collectively referred to as the "New IFRSs"). The Group has adopted, for the first time, the New IFRSs in the current year.

The application of the New IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2013 – 2014 Cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IAS 7	Disclosure Initiative[6]
Amendments to IAS 12	Recognition of Deferred Tax Assets for unrealized Losses[6]

[1] Effective for annual periods beginning on or after 1 January 2018.

[2] Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

[3] Effective for annual periods beginning on or after 1 January 2019.

[4] Effective for annual periods beginning on or after 1 January 2016.

[5] Effective for annual periods beginning on or after a date to be determined.

[6] Effective for annual periods beginning on or after 1 January 2017.

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

3. 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.

Segment revenue and results

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

For the year ended 31 December 2015

	Manufacturing segment *RMB'000*	**O2O segment** *RMB'000*	**Segment total** *RMB'000*	**Elimination** *RMB'000*	**Consolidated** *RMB'000*
Revenue					
External sales	**871,320**	**835,345**	**1,706,665**	**–**	**1,706,665**
Inter-segment sales*	**287,364**	**–**	**287,364**	**(287,364)**	**–**
Total segment revenue	**1,158,684**	**835,345**	**1,994,029**	**(287,364)**	**1,706,665**
Results					
Segment results	**74,437**	**25,828**	**100,265**		**100,265**
Non-segment items					
Unallocated income, expenses, gains and losses					**(85,090)**
Finance costs					**(7,932)**
Share of results of associates					**(239)**
Profit before tax					**7,004**

For the year ended 31 December 2014

	Manufacturing segment *RMB'000*	O2O segment *RMB'000*	Segment total *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Revenue					
External sales	1,231,498	291,218	1,522,716	–	1,522,716
Inter-segment sales*	206,781	–	206,781	(206,781)	–
Total segment revenue	1,438,279	291,218	1,729,497	(206,781)	1,522,716
Results					
Segment results	283,630	13,877	297,507		297,507
Non-segment items					
Unallocated income, expenses, gains and losses					(12,209)
Finance costs					(8,104)
Share of result of an associate					(400)
Profit before tax					276,794

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

Note: During the year, CODMs revisited the method of allocation of costs and expenses between the operating segment in light of the change in the development of the businesses. Accordingly, the segment results for the year ended 31 December 2014 were restated.

Geographical information

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

Analysis of revenue by products

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

	2015 ***RMB'000***	2014 *RMB'000*
Manufacturing segment		
Silver ingot	**571,308**	744,712
Other metal by-products	**300,012**	486,786
	871,320	1,231,498
O2O segment		
Silver jewellery and collectibles	**835,345**	291,218
	1,706,665	1,522,716

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

Information about major customers

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

	2015	2014
	RMB'000	*RMB'000*
Customer A	**192,558**	N/A
Customer B *(note)*	**189,599**	N/A
Customer C	**185,231**	N/A
Customer D	**N/A**	253,197
Customer E	**N/A**	189,529
Customer F	**N/A**	183,619

Note: 11% of the Group's revenue in 2015 came from Customer B, 上海華通鉑銀交易市場有限公司 ("Shanghai Huatong"), an associate acquired by the Group in July 2015.

4. INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("EIT")		
– current year	**17,649**	46,786
– under (over) provision in respect of prior years	**147**	(18,510)
	17,796	28,276
Deferred taxation for the year	**179**	178
	17,975	28,454

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

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

5. (LOSS) PROFIT FOR THE YEAR

	2015 *RMB'000*	2014 *RMB'000*
(Loss) profit for the year has been arrived at after charging:		
Directors' emoluments	**14,094**	4,745
Other staff costs		
– salaries and wages	**59,162**	42,077
– retirement benefit scheme contributions	**9,967**	7,826
– share-based payments, excluding those of directors and consultant	**37,167**	4,788
Total staff costs	**120,390**	59,436
Auditor's remuneration	**3,077**	1,347
Amortisation of intangible assets	**900**	362
Cost of inventories recognised as expenses	**1,531,853**	1,179,325
Depreciation of property, plant and equipment	**17,554**	14,795
Expenses and professional fees for acquisition projects and fund raising activities	**13,733**	–
Release of prepaid lease payments	**435**	434
Rental expenses	**7,036**	3,792
Share-based payment expenses in respect of consultancy services	**1,903**	–

6. DIVIDENDS

	2015 *RMB'000*	2014 *RMB'000*
Dividends recognised as distribution during the year:		
Interim dividend of HK$0.01 per share for the year ended 31 December 2015	**10,625**	–
Final dividend of HK$0.05 per share for the year ended 31 December 2014	**42,829**	–
Interim dividend of HK$0.02 per share for the year ended 31 December 2014	**–**	14,355
Final dividend of HK$0.03 per share for the year ended 31 December 2013	**–**	21,534
	53,454	35,889

No final dividend for the year ended 31 December 2015 was proposed since the end of the reporting period (2014: HK$0.05)

7. (LOSS) 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:

	2015	2014
	RMB'000	*RMB'000*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company	**(10,969)**	248,340

	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,229,474**	906,186
Effect of dilutive potential ordinary shares:		
– Share options of the Company	**–**	2,101
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,229,474**	908,287

In calculating the diluted loss per share for the year ended 31 December 2015, the potential issue of shares arising from the Company's share option would decrease the loss per share and was thereby not taken into account as they have an anti-dilutive effect.

8. INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**129,680**	46,034
Work in progress	**41,785**	54,717
Finished goods	**64,982**	35,639
	236,447	136,390

9. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**128,736**	35,409
Deposits and prepayments	**39,612**	17,380
	168,348	52,789

Before accepting any new customer, other than those settling by cash or credit card, the Group assesses the potential customer's credit quality and defines its credit limits based on reputation of the customer in the industry. The Group generally grants its customers a credit period ranging from 30 to 90 days and requires advance deposits from its customers before delivery of goods.

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

	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**126,873**	33,647
31 – 60 days	**1,526**	1,762
61 – 90 days	**337**	–
	128,736	35,409

Included in the Group's trade receivables amounting to RMB40,000 (2014: RMB1,762,000) which are past due at the reporting date for which the Group has not recognised impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience.

Ageing of trade receivables which are past due but not impaired

	2015	2014
	RMB'000	*RMB'000*
31 – 60 days	**40**	1,762

The remaining trade receivables were neither past due nor impaired at the end of the reporting period. These receivables relate to customers that have a good repayment record with the Group. Majority of trade receivables that are neither past due nor impaired have no default payment history.

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

10. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**61,402**	21,236
Other payables and accrued expenses *(note)*	**29,348**	16,231
Value-added tax and other taxes payables	**24,723**	5,821
	54,071	22,052
	115,473	43,288

Note: At 31 December 2014, the balance included an amount of RMB12,000 due to a related party, who is the spouse of Mr. Chen Wantian, an executive director of the Company and has a beneficial interest in the Group. The amount represented certain operating expenses paid by the related party on behalf of the Group, and was unsecured, interest-free and repayable on demand. The amount was fully repaid during the year ended 31 December 2015.

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

	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**45,839**	21,236
61 – 90 days	**13,536**	–
181 – 365 days	**2,027**	–
	61,402	21,236

The credit period of purchase of goods generally ranges from 20 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within credit timeframe.

BUSINESS REVIEW

The year 2015 was another leap forward for the Group. The Directors are delighted to report our remarkable progress in becoming a leading fully-integrated silver enterprise.

In 2014, we decided to diversify from the traditional smelting business to the downstream O2O business. Throughout 2015, we continued to launch numerous new initiatives and achieved a significant growth in the O2O segment. The aggregate sales in the O2O segment amounted to RMB835 million, representing approximately 48.9% of our total revenue (2014: 19.1%), a significant increase of approximately 187% as compared to 2014. As projected in last year's annual report, the O2O segment has now become a major revenue contributor to the Group.

During 2015, the Group further expanded downstream by acquiring a 25% equity interest in Shanghai White Platinum & Silver Exchange* (上海華通鉑銀交易市場有限公司 or "**Shanghai Huatong**"), an operator of an integrated precious metals and non-ferrous metals exchange in the People's Republic of China ("**PRC**"). We subsequently acquired the remaining 75% equity interest in Shanghai Huatong in February 2016 and Shanghai Huatong has now become a wholly-owned subsidiary of the Group.

As stated in the prospectus of the Company dated 14 December 2012, our long-term goal is to become a leading fully-integrated silver enterprise in the PRC. With the rapid growth in the O2O business and the addition of Shanghai Huatong, we have taken a major step forward in achieving this long-term goal.

The Group, nevertheless, recorded a net loss during this transformation period in 2015, primarily due to the following reasons:

(i) the decrease in gross profit of the smelting business due to further decline in international silver price throughout 2015 and the initial adoption of the new environmental laws by the government of the PRC;

(ii) the increase in non-cash share option expense of approximately RMB35 million;

(iii) the increase in operating costs in the O2O segment during the early rapid development stage;

(iv) the non-recurring expenses of approximately RMB26 million incurred for acquisitions and fund-raising activities in 2015; and

(v) the absence of a one-off tax reversal of approximately RMB19 million recorded in 2014.

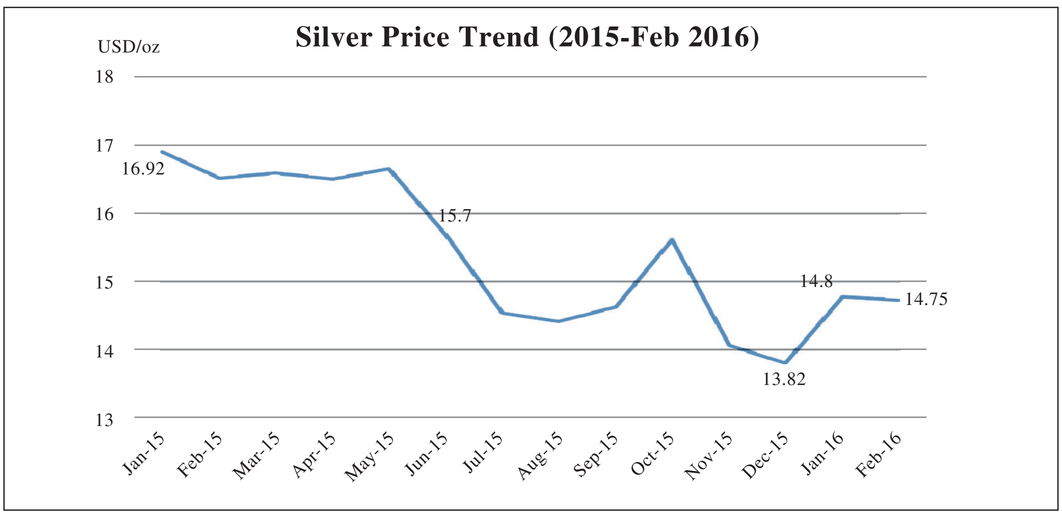
Despite the loss we encountered initially during the transformation period, we remain fully confident in our current business strategy and believe all the investments will bring fruitful results in the future.

Manufacturing Business

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

The Group applied a proprietary production model to manufacture high quality silver and other non-ferrous metals. During 2015, we sold 186 tonnes of silver ingot to our customers and used 95 tonnes of silver ingot for our downstream O2O business. The sales volume of other metal by-products decreased due to the use of environmental-friendly recycled materials.

The global commodity market remained weak in 2015. The decrease in international silver price further affected the average selling price of our silver ingots. The graph below shows the change in international silver price quoted on the London Bullion Market Association (LBMA) throughout 2015 and up to February 2016:



Source: The London Bullion Market Association

In addition, the cost of raw materials increased significantly after the adoption of new environmental laws in the PRC, which encouraged 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 developing ways to improve our production process in view of the new environmental laws.

We expect the international silver price will stabilize at the current level. With the rapid growth of the O2O segment and the newly acquired silver exchange business, we expect the traditional smelting business will play a less significant role in the Group's overall performance in the future.

O2O Business

As a young retailer, we fully understand the importance of the use of technology and the revolutionary changes brought by the internet. During the year, we achieved outstanding results in the O2O business. Aggregate sales in O2O business amounted to approximately RMB835 million, representing approximately 48.9% of our total revenue (2014: 19.1%), an increase of almost three times the revenue in 2014.

B2C online

B2C online sales experienced significant growth in 2015 and now represents approximately 25.8% of sales in the O2O segment. We achieved record daily sales on the Singles' Day (11 November 2015), the biggest online shopping day in the PRC, with sales of approximately RMB17.9 million (2014: RMB6.0 million), almost triple that of last year.

Up to date, our proprietary online sales platform, www.CSmall.com (金貓銀貓) surpassed 2.1 million registered members, with 28.2 million monthly page views (PV), 15.8 million unique visitors (UV) and 10.0 million internet protocols (IP). The platform now carries an aggregate of approximately 120 self-owned and third party brands offering a comprehensive range of products to customers.

Apart from developing our own sales platform, we also cooperated with third party platforms such as Tmall, JD, Suning, Gome and Yihaodian to distribute our products online.

In 2015, we further took advantage of the rising popularity of social media as sales channels to distribute our products and had accumulated over 4,000 registered WeChat Social Distribution accounts.

O2O shops

O2O shops consist of franchised and self-owned outlets which provide offline experience, service and support to customers.

In view of 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 offers customers a range of choices to suit their needs and preferences. The multi-brand store strategy increases the flexibility to react to market changes and adapt to local tastes.

During 2015, we opened approximately 80 outlets, including 38 CSmall stores. As of today, we have around 120 outlets across the PRC with presence in Anhui, Beijing, Guangdong, Hebei, Heilongjiang, Henan, Hubei, Hunan, Inner Mongolia, Jiangsu, Jiangxi, Shandong, Shanxi, Shaanxi, Shanghai, Tianjin, Yunnan and Zhejiang.

Apart from the traditional franchising model, we are also exploring innovative ways to expand our network. In August 2015, we partnered with the PRC's largest crowd-funding platform, Renrentou.com (人人投), to open our 100th O2O shop in Shenzhen Haiya Mega Mall. This is the first collaborative project with Renrentou, with Renrentou responsible for fund raising and the Group responsible for store operation. We will continue to explore innovative ways to expand our sales network.

Multimedia shopping

Leveraging the instant success with the CCTV shopping channel last year, we are currently cooperating with a total of 18 television channels with an aggregate coverage of over 300 million home viewers in the PRC. Our major partners include CCTV, Shanghai Oriental CJ Shopping, Shandong Lucky Pai and Shenzhen Eachome.

Bank Network

By the end of 2015, we extended our sales network to banking institutions by partnering with Bank of Ganzhou to distribute our silver collectibles to high-net-worth bank customers through their 77 bank branches across the PRC.

Wholesale

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

Silver Exchange Business

To fulfil our long term goal of becoming a leading vertically integrated silver enterprise, we acquired a 25% equity interest in Shanghai Huatong, which is one of the largest spot exchanges for silver trading in the PRC.

Shanghai Huatong 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. Its official website, www.huatongsilver.com, has been the most authoritative web portal for the silver industry in the PRC. The daily spot silver prices quoted by www.huatongsilver.com are the general reference prices for the silver industry in the PRC.

Marketing Campaigns

During the year, 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 its only official silver brand to promote show-related silver products. In September 2015, we participated in the grand ceremony of the "2015 Star Show" organized by the Trends Group, which was attended by numerous celebrities, to promote our brands. In December 2015, we were invited by China Tianjin TV to attend the popular reality show "Only You" to promote our brands and products.

During 2015, we also participated in two of the largest international jewellery exhibitions in the PRC, Shenzhen International Jewellery Fair (深圳國際珠寶展) and Guangzhou Fair (廣州博覽會), to promote our products. We were the co-organizer of a world-class jewellery designing competition, Milan Expo International Jewellery Design Competition (米蘭世博中意珠寶國際設計大賽).

Additionally, we 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. We have also established cooperation with one of the largest mobile service providers in the PRC, China Unicom, to promote our online sales platform.

Our dedication and ambition in developing the O2O business have won us attention of the media. 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 downstream O2O business.

In January 2016, we sponsored famous popstar Chang Chenyue's music concert and set up a sales booth to promote our products. In February 2016, we partnered with the popular TV show, "Legend of the Nine Tails Fox" and became the only official silver brand to promote show-related silver products.

PROSPECTS

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

While we endeavor to improve our existing sales channels, we spend relentless effort to explore new business initiatives.

In January 2016, we opened our first overseas O2O shop to explore the international market. We are also planning to launch a new product "silver bar certificate" through our various channels. The certificate will allow customers to have option of depositing the physical silver bars with the Group for a specified return. We expect the certificate to enhance the liquidity of silver bars between the upstream and downstream segments.

Furthermore, we plan to gradually increase our capacity to an annual design capacity of 360 tonnes of silver ingots by the end of 2016.

As of 31 December 2015, we had net cash of approximately RMB889 million, signifying the Group's sufficient resources in potential acquisition. We have been considering various opportunities in the market and will disclose more details in accordance to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") when appropriate.

In summary, we are pleased with the encouraging development of the Group while undergoing the transformation period. We expect the traditional smelting business to recover as the international silver price shows strong sign of recovery. In conclusion, we are confident in our current business strategy and will strive to the best of our ability to become a leading vertically-integrated silver enterprise in the PRC.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 December 2015 was approximately RMB1,707 million (2014: RMB1,523 million), representing a slight increase of approximately 12% from that of last year.

	Year ended 31 December,			
	2015		2014	
	Revenue *(RMB'000)*	**% of revenue**	Revenue *(RMB'000)*	% of revenue
Manufacturing segment				
Silver ingot	**571,308**	**33.5%**	744,712	48.9%
Other metal by-products	**300,012**	**17.6%**	486,786	32.0%
	871,320	**51.1%**	1,231,498	80.9%
O2O segment				
Silver jewellery and collectibles	**835,345**	**48.9%**	291,218	19.1%
Total	**1,706,665**	**100%**	1,522,716	100%

Sales of silver ingot decreased from RMB745 million to RMB571 million for the year ended 31 December 2015, representing a decrease of approximately 23% from that of last year. The decrease was due to decline in both the average selling price and sales volume.

The average selling price of silver ingot decreased from RMB3.4 million (value-added tax exclusive) per tonne to RMB3.1 million per tonne due to a drop in the average market silver price. Sales volume of silver ingot decreased from 219 tonnes to 186 tonnes as more silver ingots were used for the manufacture of silver jewellery and collectibles in the downstream O2O business. The aggregate production volume of silver ingot increased slightly from 268 tonnes to 281 tonnes.

Other metal by-products such as lead ingot, bismuth ingot, antimony ingot and crude tin are produced during the production of silver ingot. Sales decrease by approximately 38% to RMB300 million is mainly due to the use of environmental-friendly recycled materials which carried less metal by-products.

During 2015, the O2O segment recorded sales of silver jewellery and collectibles of RMB835 million (2014: RMB291 million). This business was newly-developed last year and expanded rapidly during the year.

Cost of Sales, Gross Profit and Gross Profit Margin

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

We recorded gross profit of approximately RMB175 million (2014: RMB343 million) for the year ended 31 December 2015, representing a decrease of approximately 49.1% as compared to that of last year, mainly due to the significant decrease in gross profit margin.

The overall gross profit margin decreased from 22.6 % to 10.2% due to the decrease in international silver price during 2015 and the use of environmental-friendly recycled materials.

Administrative Expenses

Administrative expenses increased by approximately 168% from RMB50.3 million to RMB134.9 million for the year ended 31 December 2015. The increase was mainly due to the increase in staff cost incurred for the rapid development of the O2O segment. Non-cash share option expenses increased by approximately 539% from RMB6.4 million to RMB41.1 million for the year ended 31 December 2015.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 125% from RMB8.2 million to RMB18.4 million for the year ended 31 December 2015 mainly due to the increase in advertising costs incurred for the O2O segment.

Other Expenses

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

Income Tax Expense

Income tax expense decreased by approximately 36.8% from RMB28.5 million to RMB18.0 million for the year ended 31 December 2015 mainly due to lower profit before tax and the absence of a one-off reversal of income tax expense of RMB19 million for a subsidiary which was qualified to enjoy a lower tax rate for three consecutive years commencing from 2013.

(Loss)/profit Attributable to Owners of the Company

The loss attributable to owners of the Company for the year ended 31 December 2015 amounted to approximately RMB11 million, as compared to the profit attributable to owners of the Company of approximately RMB248 million in 2014. Net profit margin significantly decreased from 16.3% to -0.6% primarily due to the decrease in gross profit and certain non-cash and non-operating expenses.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group's inventories mainly comprise of raw materials of ore powder, smelting slag and silver jewellery. For the year ended 31 December 2015, inventory turnover days were approximately 44 days (for the year ended 31 December 2014: 40.0 days) and remained stable.

The turnover days for trade receivables for the year ended 31 December 2015 were approximately 17.6 days (for the year ended 31 December 2014: 4.8 days). The Group generally granted its customers a credit period ranging from 30 to 90 days and required advance deposits from its customers before delivery of goods.

The turnover days for trade payables for the year ended 31 December 2015 were approximately 9.8 days (for the year ended 31 December 2014: 6.5 days). We were generally required by our suppliers to prepay 30% to 50% of the purchase price of our raw materials prior to delivery and the credit period of purchase of goods generally ranged from 20 to 90 days.

Borrowings

As of 31 December 2015, the Group's bank borrowings balance amounted to RMB130 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 31 December 2015, the Group is in a net cash position with a net gearing ratio of -59.4% (as of 31 December 2014: -83.6%).

Pledge of Assets

As of 31 December 2015, the Group pledged property ownership rights in respect of buildings, land use rights and inventories with total carrying value of approximately RMB63.9 million, RMB10.9 million and RMB119 million, respectively (as of 31 December 2014: RMB67.4 million, RMB11.1 million and RMB66.9 million) to secure the general banking facilities granted to the Group. As of 31 December 2014, the Group also pledged bank deposit with total carrying value of approximately RMB20.1 million to secure the general banking facilities.

Capital Expenditures

For the year ended 31 December 2015, the Group invested approximately RMB24.5 million in property, plant and equipment (2014: RMB17.7 million).

EMPLOYEES

As of 31 December 2015, the Group employed 983 staff (as of 31 December 2014: 936 staff) and the total remuneration for the year ended 31 December 2015 amounted to approximately RMB120.4 million (2014: RMB59.4 million). The Group's remuneration packages are in line with the current legislation in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the year under review. The Group was principally financed by internal resources and bank borrowings. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and bank borrowings. As of 31 December 2015, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately RMB1,019 million (as of 31 December 2014: RMB740 million), RMB1,223 million (as of 31 December 2014: RMB769 million) and RMB1,504 million (as of 31 December 2014: RMB978 million), respectively. As of 31 December 2015, the Group had bank borrowings amounting to RMB130 million (as of 31 December 2014: RMB130 million).

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

In July 2015, the Group acquired a 25% equity interest in Shanghai Huatong for an aggregate consideration of RMB40 million.

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 year.

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 were intended to be applied in the manner consistent with that in the prospectus of the Company dated 14 December 2012. As of 31 December 2015, the proceeds from the Listing had been fully utilized.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: HK$0.05).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2016 to 24 May 2016 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 19 May 2016 for registration of transfer.

CODE OF CORPORATE GOVERNANCE PRACTICE

During the year ended 31 December 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.

Dr. Jiang Tao has resigned as an independent non-executive Director and has ceased to be a member of each of the audit committee of the Board (the "**Audit Committee**"), nomination committee of the Board (the "**Nomination Committee**") and remuneration committee of the Board (the "**Remuneration Committee**") with effect from 28 December 2015. Mr. Song Hongbing has been appointed as an independent non-executive Director and has been appointed as a member of each of the Audit Committee, Nomination Committee and Remuneration Committee with effect from 28 December 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 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2015.

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
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
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
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

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 year ended 31 December 2015.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In January 2016, 50 million new ordinary shares of the Company, representing 3.79% of the then issued share capital of the Company, were allotted and issued to a placee at a price of HK$1.7 per share by way of subscription under general mandate. The net proceeds raised (after deducting the commission and other expenses incurred) were approximately HK$84 million and will be used for general working capital and other potential investments.

In February 2016, the Company acquired the remaining 75% equity interest in Shanghai Huatong which consequentially made Shanghai Huatong our wholly-owned subsidiary. Upon completion, the Group now effectively owns 94% attributable interest in Shanghai Huatong International Silver Exchange* (上海華通白銀國際交易中心), currently 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.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial reporting processes and internal control system of the Group and discussed with the external auditors the consolidated financial statements for the year ended 31 December 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ACKNOWLEDGEMENT

I would like to thank the Board, the management and all of our staff for their hard work and dedication, as well as our shareholders and customers for their continuous support to the Group.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.chinasilver.hk) and the Stock Exchange (www.hkexnews.hk). The 2015 annual report of the Company will be dispatched to the shareholders and made available on the same websites in due course.

By Order of the Board
China Silver Group Limited
Chen Wantian
Chairman

Hong Kong, 31 March, 2016

As at the date of this announcement, the executive Directors are Mr. Chen Wantian, Mr. Sung Kin Man, Mr. Song Guosheng, and Mr. Chen Guoyu and the independent non-executive Directors are Mr. Guo Bin, Mr. Song Hongbing, Dr. Li Haitao and Dr. Zeng Yilong.

* *For identification purpose only.*