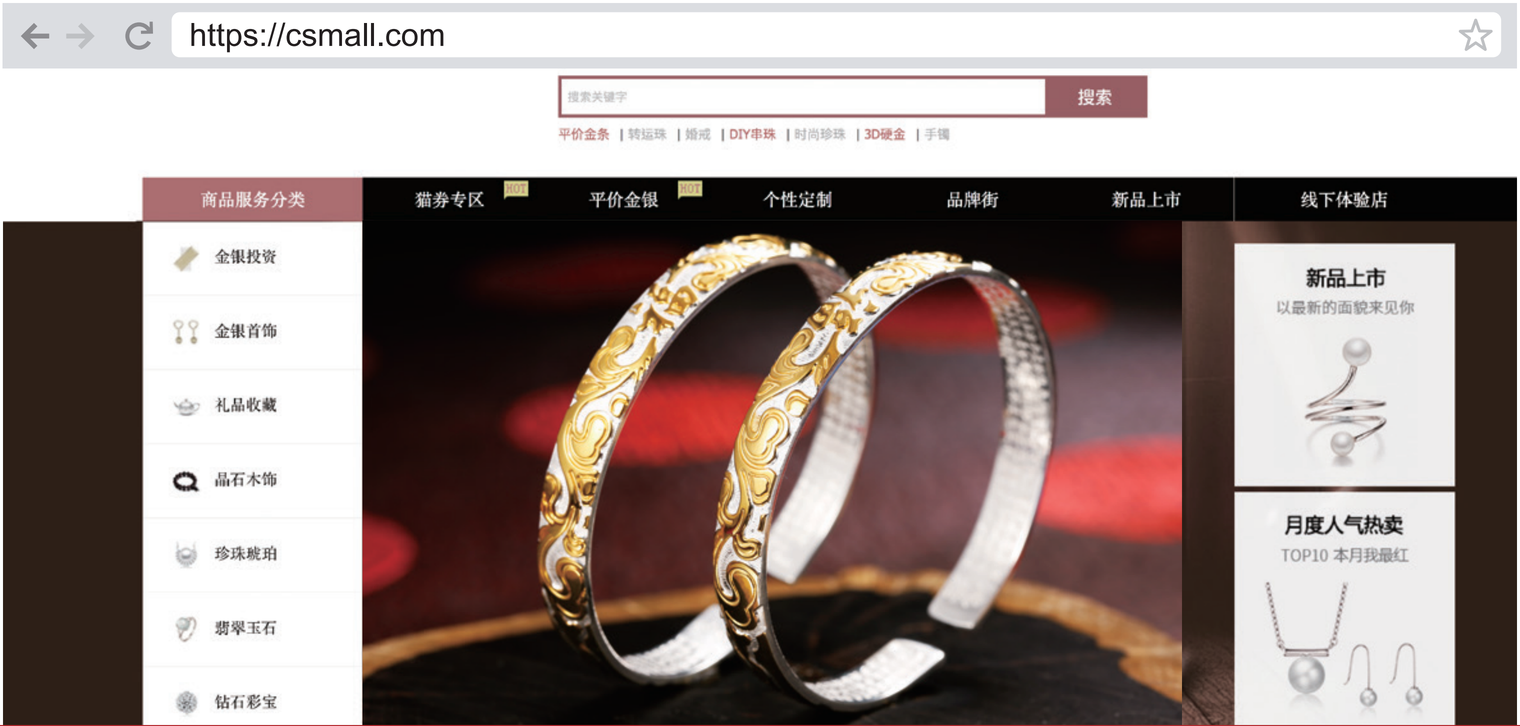

金猫银猫 CSmall

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ANNUAL REPORT 2017

金貓銀貓集團有限公司
CSMall Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code：1815

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Chen He (陳和)
Zhang Jinpeng (張金鵬)
Qian Pengcheng (錢鵬程)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Fu Lui (府磊)
Hu Qilin
Zhang Zuhui (張祖輝)

AUDIT COMMITTEE

Fu Lui (Chairman)
Hu Qilin
Zhang Zuhui

REMUNERATION COMMITTEE

Zhang Zuhui (Chairman)
Fu Lui
Hu Qilin

NOMINATION COMMITTEE

Chen He (Chairman)
Fu Lui
Zhang Zuhui

JOINT COMPANY SECRETARIES

Lee Jackie Kai Yat (李介一) (ACCA)
Wong Yat Sum (黃一心) (FCCA, FCPA)

AUTHORISED REPRESENTATIVES

Chen He
Lee Jackie Kai Yat

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town
Grand Cayman
KY1-9007
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

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town
Grand Cayman
KY1-9007
Cayman Islands

HEADQUARTERS IN THE PRC

6th Floor and Unit A of 5th Floor
Baolin International Gold Jewelry Trade Center
2nd Building, 3 Shuitian Second Street
Shuibei First Avenue, Cuizhu Block
Luohu District
Shenzhen, Guangdong Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1417, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

COMPANY'S WEBSITE

www.csmall.com

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
1815

PRINCIPAL BANKERS

China Marchants Bank Co., Ltd.
Industrial Bank Co., Ltd.

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISORS

Hong Kong law:

Sullivan & Cromwell (Hong Kong) LLP

Cayman Islands law:

Ogier

INVESTORS AND MEDIA RELATIONS

Hill and Knowlton Strategies

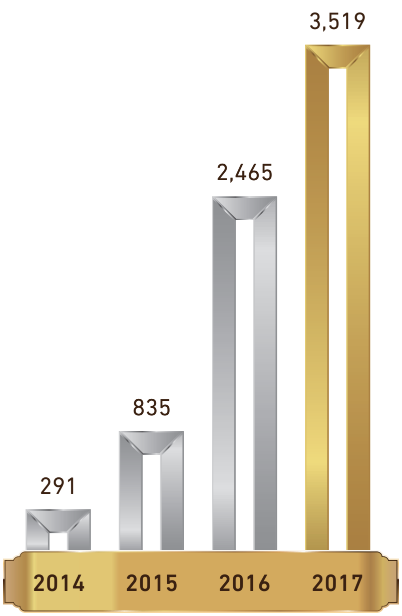
COMPLIANCE ADVISER

Halcyon Capital Limited

FINANCIAL HIGHLIGHTS

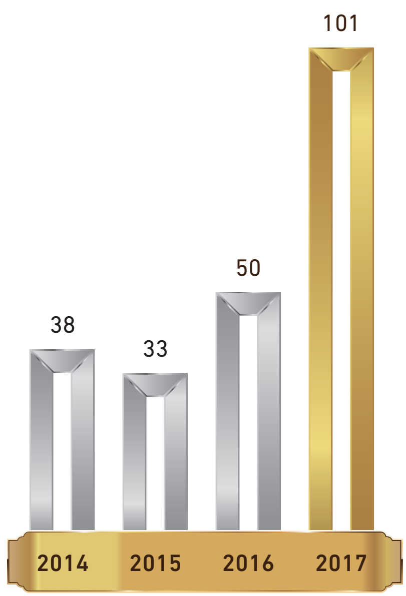
Consolidated Revenue

RMB million



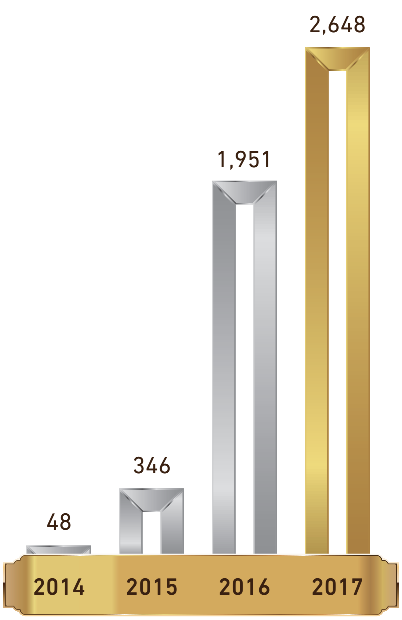
Profit for the year

RMB million

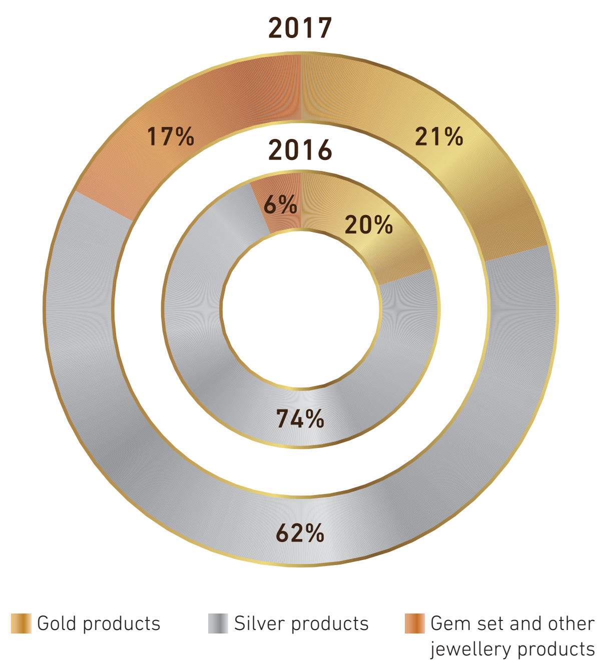


Revenue from Online Sales Channels

RMB million



Gross Profit Contribution by Product Category



Our Milestones

2013

Commencement of our online business

2014

Launched our Internet website www.csmall.cn, which was later changed to www.csmall.com

Our first franchised CSmall Shop was opened, marking the commencement of our offline business

Opened our flagship Shenzhen Exhibition Hall in Shuibei, Shenzhen

2015

Mobile website m.csmall.com was launched

Mobile app 金貓銀貓 CSmall was launched

2016

Solely founded the Commission of Online Jewellery Retailers (珠寶電商專業委員會) under the China Electronic Commerce Association **(中國電子商務協會)**

Mar 2018

CSMall Group Limited (Stock code:1815) was successfully listed on The Stock Exchange of Hong Kong Limited

Future

Leading integrated online and offline Internet-based jewellery retailer in the People's Republic of China

SELECTED BRANDS AND PRODUCTS

Zun Fan Pure Silver Jewelleries（尊梵足銀）

DIAN SHUN TONG BAO SILVER COLLECTIBLES（典順通寶）

CHAIRMAN'S STATEMENT

The directors (the "Directors"; together, the "Board") of CSMall Group Limited (the "Company"; together with its subsidiaries, the "Group", "CSMall Group", "we", "our" or "us") are delighted to report our remarkable progress as a leading integrated online and offline Internet-based jewellery retailer in the People's Republic of China (the "PRC").

Leveraging our extensive customer reach as well as effective implementation of our strategies, CSMall Group has continued to grow rapidly since the launch of our self-operated online platform in 2014.

Our integrated online and offline jewellery retail structure provides our customers with easy access to a wide spectrum of multi-tier and multi-brand jewellery products anytime, anywhere. We sell a wide selection of self-branded and third party branded jewellery products, including gold bars, silver bars, wearable jewellery, silverwares and other collectibles. As of 31 December 2017, the products available for sale through our integrated online and offline jewellery retail structure covered 191 brands, comprising 23 self-owned brands and 168 third-party brands.

In 2017, the Group continued to achieve outstanding performance by implementing a series of business initiatives and marketing campaigns. The aggregate sales amounted to RMB3.52 billion, representing a significant increase of approximately 42.8% as compared to last year. Profit attributable to owners of the Company reached RMB101.3 million (2016: RMB50.3 million). The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 March 2018 (the "Listing Date").

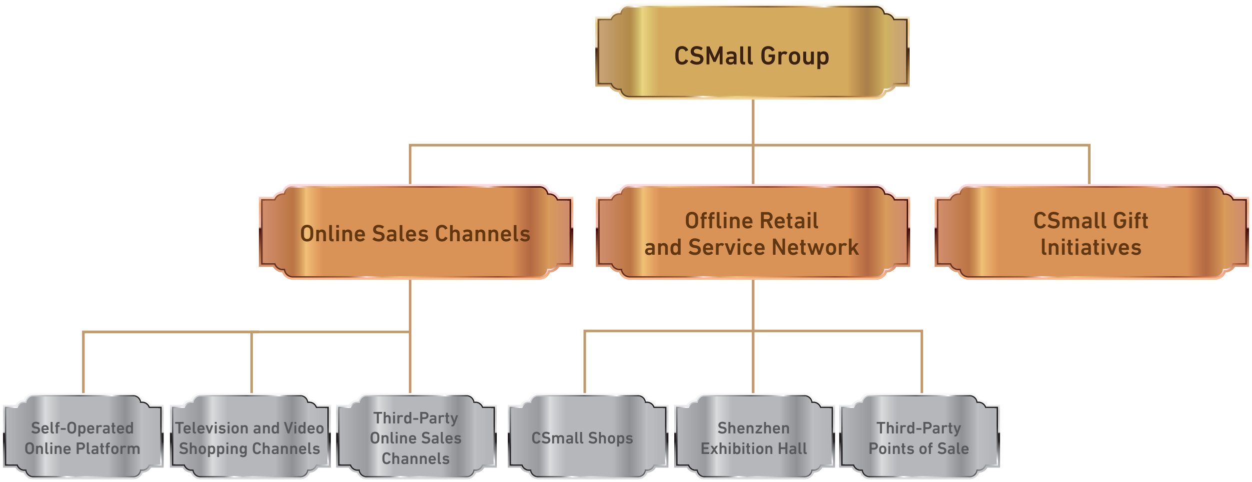
Our long-term goal is to maintain and consolidate our position as a leading integrated online and offline Internet-based jewellery retailer in the PRC.

We plan to achieve this goal by continuing to implement the following strategies: (1) we will continue to expand and optimise our integrated online and offline jewellery retail structure and enhance the online and offline synergies; (2) we will continue to implement our CSmall Gift initiatives to expand our customer base and enhance our business growth; (3) we will continue to strengthen our data collection, analytical and utilisation capabilities; (4) we will continue to enhance our product design and development capabilities and our brand recognition; and (5) we will continue to recruit, foster and retain talent.

CHAIRMAN'S STATEMENT

CSMall Group's business model incorporates four critical elements which complement each other, comprising (i) a comprehensive e-commerce platform, (ii) easily accessible offline retail and service network, (iii) data mining and utilisation capabilities; and (iv) innovative crossover sales and marketing initiatives.

During 2017, CSMall Group continued to perform well with both sales revenue and profit achieving record levels.



Online Sales Channels

(i) Self-operated online platform

As of 31 December 2017, our self-operated online jewellery platform, www.csmall.com, surpassed 7.5 million registered user accounts, with over 848 million monthly page views (PV), 168 million unique visitors (UV) and 95 million internet protocols (IP). As at 31 December 2017, the platform carried an aggregate of 191 self-owned and third-party brands which offers a comprehensive range of products to customers.

(ii) Television and video shopping channels

As at 31 December 2017, we cooperated with a total of 21 television and video shopping channels to promote and sell our jewellery products, through which we achieved satisfactory sales performance and enhanced our brand recognition among a wide range of viewers of such television and video shopping programmes in the PRC. Our major third-party online sales channels include CCTV Home Shopping, China National Radio, Tianjin Sanjia* (天津三佳) and Zhejiang Best 1*(浙江好易購).

(iii) Third-party online marketplaces

We cooperate with third-party online marketplaces and retail platforms such as Tmall, JD, Suning, Gome, Yihaodian and WeChat, etc., to promote our jewellery products.

Offline Retail and Service Network

(i) CSmall Shops

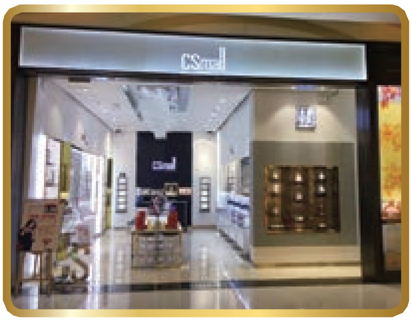
We offer intimate on-the-ground sales and services to our customers, including jewellery fitting and maintenance services, which we believe are essential and important in the jewellery shopping experience, at our CSmall Shops.

As of 31 December 2017, we had 109 CSmall Shops located in 14 provinces and municipalities in the PRC, consisting of 9 self-operated CSmall Shops, 4 jointly operated CSmall Shops and 96 franchised CSmall Shops with presence in Anhui, Beijing, Fujian, Guangdong, Hebei, Heilongjiang, Hubei, Inner Mongolia, Jiangsu, Jiangxi, Liaoning, Shanghai, Tianjin and Zhejiang.

Shops Distribution

38 in Zhejiang
12 in Jiangsu
10 in Guangdong
10 in Shanghai
7 in Anhui
7 in Hubei
6 in Beijing
5 in Liaoning
4 in Fujian
4 in Tianjin
2 in Hebei
2 in Heilongjiang
1 in Inner Mongolia
1 in Jiangxi

Photos of CSmall shops



(ii) Shenzhen Exhibition Hall

Sales were generated from our Shenzhen Exhibition Hall with a gross floor area of approximately 2,000 square meters in Shuibei, Shenzhen. Shuibei in Shenzhen is generally believed to be home to PRC's largest and leading jewellery trading and wholesale market. Our Shenzhen Exhibition Hall showcases the product designs of our self-owned brands and certain third-party brands, and also serves as an interactive exhibition and sales platform primarily for our wholesale customers as well as our franchisees.

(iii) Third-party offline points of sale

We also distribute our jewellery products through various third-party offline points of sale, which are certain commercial banks we cooperated with. For instance, we partnered with Bank of Ganzhou to distribute tailored silver collectibles to high-net-worth customers through their bank branches across the PRC.

CSMall Gift Initiatives

In September 2016, we also launched our CSmall Gift initiatives by cooperating with our CSmall Gift partners, comprising non-jewellery retailers, service providers and our franchisees, which purchased our jewellery products or CSmall Gift credits (貓券) to be used as gift redemption for their own retail customers. In order to promote our CSmall Gift initiatives in different geographic locations, we began establishing physical CSmall Gift shops in September 2017, to showcase our CSmall Gift jewellery products and provide offline jewellery fitting services for products redeemed online. To take advantage of the customer traffic that are expected to be attracted to our CSmall Gift shop, we also open one self-operated CSmall Shop next to each CSmall Gift shop. We distinguish our CSmall Gift shops from our CSmall Shops because we believe that a distinct shop that focuses on the gift experience would enhance the overall image of the CSmall Gift concept. We adopt a sales and marketing strategy where the jewellery products redeemed at our CSmall Gift shops are different from those sold at our CSmall Shops while our such new self-operated CSmall Shops will generally focus on sales of our silver products. By the end of 2017, we had three CSmall Gift shops, with a gross floor area of 120 square metres, 66 square metres and 387 square metres, respectively. We expect to open another 29 CSmall Gift shops in 2018.

Sales and Marketing Initiatives

We have been dedicated to developing and implementing effective sales and marketing initiatives in the jewellery retail market in the PRC.

We explored and developed crossover sales and marketing initiatives to increase our sales volume and expand our customer base by cooperating with branded retailers or service providers that are not directly engaged in the jewellery business. For example, we cooperated with an entertainment service provider to launch joint sales and marketing campaigns in its outlets to promote our brands and products to their customers.

In addition, we sponsored certain sports events and movie award ceremonies to promote our jewellery products and enhance our brand awareness. For example, we sponsored the China Volleyball League All-star Game held on 26 February 2017 in Shenzhen, and as the exclusive official provider of jewellery products, we provided specifically designed champion rings and silver badges to the participating volleyball stars for promotional purposes and for sales to retail customers as event souvenirs.

We have continued to refine and improve our crossover sales and marketing initiatives. In particular, through our CSMall Gift initiatives, we cooperate with our CSmall Gift partners to distribute our jewellery products as gifts to their retail customers who purchase goods or services from them. Our main targeted CSmall Gift partners primarily include department stores, branded retailers, entertainment service providers, commercial banks, telecommunications service providers, airlines and insurance companies. We had entered into CSmall Gift arrangements with 46 CSmall Gift partners as of 31 December 2017, including an automobile after-sales service provider, a branded apparel retailer and certain other goods and service providers such as Internet-based financial service provider and automobile trading service provider, and our franchisees. We will continue to implement our CSmall Gift initiatives by expanding our cooperation with more crossover market retailers and service providers in addition to our existing CSmall Gift partners. We are in the process of negotiating with a number of potential CSmall Gift partners to further implement our CSmall Gift initiatives. For prospective candidates of our new CSmall Gift partners, we would consider factors such as (i) their business scale and financial condition, (ii) the geographic coverage of their sales network, (iii) their demand for our CSmall Gift products and (iv) their ability to further develop their customer base.

Through our CSmall Gift initiatives, we diversify the manner in which we generate revenue and also expect to expand our customer base in a cost effective manner since end customers who are granted with CSmall Gift credits will need to become registered users of our self-operated online platform to claim and keep track of their CSmall Gift credits before they can redeem jewellery products thereon. We believe that our CSmall Gift initiatives not only tap into the established customer traffic of our CSmall Gift partners and transform it into our sales volumes, but also promote the sales of our CSmall Gift partners. We believe that this “win-win” initiative will help create further cooperation opportunities between us and other product and service providers in a broad range of industries and markets.

Our goal is to maintain and consolidate our position as a leading integrated online and offline Internet-based jewellery retailer in the PRC. Together with the rapid growth in our business and strategies we implemented, we are moving full speed towards this goal.

CHAIRMAN'S STATEMENT

PROSPECTS

Looking ahead, we are confident about the future jewellery market in the PRC. We believe our business will continue to benefit from the potential growth in the online jewellery retail market and the demand for affordable jewellery products in the PRC.

We will continue to embrace the product philosophy of affordable luxury and fast fashion and regularly roll out a wide selection of affordable jewellery products with diversified and fashionable designs to keep pace with the evolving market trend and the increasing demand for affordable jewellery products in the PRC.

As of 31 December 2017, we had net cash of approximately RMB338 million. Our cash position has been further strengthened by the net proceeds received from the global offering of new shares of the Company in March 2018 (the "Global Offering"), signifying the Group's sufficient resources in future developments. We will continue to expand and optimise our integrated online and offline jewellery retail structure, as well as to strengthen our data collection, analytical and utilisation capabilities. In addition, we will continue to enhance our product design and development capabilities and our brand recognition.

In summary, we are pleased with the numerous positive developments in our business. We will strive to the best to maintain and consolidate our position as a leading integrated online and offline Internet-based jewellery retailer in the PRC.

Chen He
Chairman

Hong Kong, 28 March 2018

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The revenue of the Group for the year ended 31 December 2017 was approximately RMB3.52 billion (2016: RMB2.47 billion), representing an increase of approximately 42.8% from that of last year.

	Year ended 31 December			
	2017		2016	
	Revenue *(RMB'000)*	% of revenue	Revenue *(RMB'000)*	% of revenue
Online Sales Channels				
Self-operated online platform	**2,388,972**	**67.9%**	1,826,708	74.1%
Third-party online sales channels	**259,380**	**7.3%**	123,820	5.0%
	2,648,352	**75.2%**	1,950,528	79.1%
Offline Sales and Service Network				
CSmall Shops	**595,586**	**16.9%**	384,609	15.6%
Shenzhen Exhibition Hall	**248,363**	**7.1%**	122,887	5.0%
Third-party offline points of sale	**7,317**	**0.2%**	6,740	0.3%
	851,266	**24.2%**	514,236	20.9%
CSmall Gift Initiatives	**19,963**	**0.6%**	527	0%
Total	**3,519,581**	**100%**	2,465,291	100%

MANAGEMENT DISCUSSION AND ANALYSIS

Online Sales Channels

During 2017, the online sales channels recorded sales of RMB2,648 million (2016: RMB1,951 million), representing an increase of approximately 35.8%, as our increasing marketing recognition, our quality assurance for authenticity of our jewellery products and secure delivery contributed to the customer traffic to our self-operated online platform, thereby increasing purchases of our various types of jewellery products, including gold products.

Offline Sales and Service Network

During the year, the offline sales and service network recorded sales of RMB851 million (2016: RMB514 million), representing an increase of approximately 65.5%, mainly due to the expansion of our CSmall Shops, in particular, the franchised CSmall Shops, as we added a new multi-brand franchisee, Zhejiang Hengyin.

CSmall Gift Initiatives

In 2017, besides adding three CSmall Gift Shops, we also added a dedicated section on our self-operated online platform for the jewellery products under our CSmall Gift initiatives, featuring detailed product descriptions. Revenue from our CSmall Gift initiatives for the year ended 31 December 2017 was RMB20.0 million (2016: RMB0.5 million).

COST OF SALES AND SERVICES PROVIDED

Cost of sales increased from RMB2,316 million to RMB3,268 million in 2017, which was generally in line with the increase in our revenue in 2017. The increase was also partially attributable to the increase in our average cost of gold and silver per gram.

GROSS PROFIT AND GROSS PROFIT MARGIN

We recorded gross profit of RMB251 million (2016: RMB150 million) for the year ended 31 December 2017, an increase of approximately 68.1% as compared to that of last year mainly attributable to the sales of our silver products and gem-set and other jewellery products due to their higher gross profit margins and to a lesser extent gold products due to their large sales volumes. The overall gross profit margin increased from 6.1% to 7.1% primarily attributable to a change in production mix, with the proportion of sales of lower margin gold bars as a percentage of total revenue decreasing from 73.2% for the year ended 31 December 2016 to 64.3% for the year ended 31 December 2017.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 16.3% from RMB44.1 million to RMB51.3 million for the year ended 31 December 2017. The increase was primarily due to our increased staff size in line with our business development.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses slightly decreased by approximately 3.9% from RMB43.4 million to RMB41.7 million for the year ended 31 December 2017 primarily as a result of reduced marketing expenses as we sought to use more cost effective marketing strategies.

OTHER EXPENSES

Other expenses mainly represent the listing expenses which include the expenses incurred in connection with the Listing and the Global Offering such as underwriting commissions, professional fees paid to our reporting accountants, legal advisers and other professional advisers for their services rendered. Listing expenses of RMB18.6 million were recorded for the year ended 31 December 2017.

INCOME TAX EXPENSE

Amount increased primarily due to increase in profit before tax. The effective tax rate increased from 22.3% for the year ended 31 December 2016 to 27.6% for the year ended 31 December 2017 mainly due to increase in expenses not deductible for tax purposes and reduction in utilisation of tax losses previously not recognised.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company increased significantly from RMB50.3 million to RMB101.3 million for the year ended 31 December 2017 mainly due to increase in gross profit partially offset by increase in listing expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

INVENTORIES, TRADE RECEIVABLES AND TRADE PAYABLES TURNOVER CYCLE

The Group's inventories mainly comprise gold bars, silver bars and jewellery products. For the year ended 31 December 2017, inventory turnover days were approximately 38.3 days (for the year ended 31 December 2016: 32.1 days) mainly as a result of the rapid expansion of our business and purchase of certain gold products towards the end of 2017 in order to fulfill customer orders in early 2018.

The turnover days for trade receivables for the year ended 31 December 2017 were approximately 4.9 days (for the year ended 31 December 2016: 13.3 days) mainly due to the tightening of our credit policies.

The turnover days for trade payables for the year ended 31 December 2017 were approximately 7.9 days (for the year ended 31 December 2016: 5.2 days) mainly due to purchase (on credit) of certain gold products towards the end of 2017 in order to fulfill customer orders in early 2018.

BORROWINGS

Save as aforesaid and apart from intra-group liabilities, as of 31 December 2017, we did not have any outstanding bank borrowings, debt securities, charges, mortgages, or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase and finance lease commitments, any guarantees or material contingent liabilities. We do not expect to raise material external debt financing in the near future based on our current business plans.

CAPITAL EXPENDITURES

For the year ended 31 December 2017, the Group invested RMB5.3 million in property, plant and equipment (2016: RMB1.3 million).

EMPLOYEES

As of 31 December 2017, the Group employed 390 staff members and the total remuneration for the year ended 31 December 2017 amounted to RMB36.3 million (2016: RMB29.3 million). The Group's remuneration packages are in line with the current legislation in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the period under review. The Group was principally financed by internal resources. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. As of 31 December 2017, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB338 million (as of 31 December 2016: RMB125 million), RMB324 million (as of 31 December 2016: RMB210 million) and RMB346 million (as of 31 December 2016: RMB221 million), respectively. As of 31 December 2017, the Group did not have bank borrowings.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

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 shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. Based on the offer price of HK$2.38 per offer share, the net proceeds from the global offering received by the Company, after deducting the underwriting fees and commissions and estimated expenses in relation to the global offering borne by the Company, were approximately HK$406 million. Since the Listing Date and up to the date of this report, the Company has not utilized any net proceeds raised from the global offering of the Company. Such net proceeds are intended to be applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 28 February 2018 (the "Prospectus").

DIVIDEND

No final dividend for the year ended 31 December 2017 was proposed (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 May 2018 to 29 May 2018 (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 23 May 2018 for registration of transfer.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHEN He (陳和), aged 33, is our Chairman, executive Director and co-CEO. Mr. Chen was appointed as an executive Director in February 2017. Mr. Chen joined the Group as a co-deputy general manager of Shenzhen Guoyintongbao Company Limited (深圳國銀通寶有限公司) ("Shenzhen Guoyintongbao") in October 2013, and has been serving as a president of the Group since July 2015. Mr. Chen has been the driving force behind our development, growth and expansion and is primarily responsible for the overall management of our Group and for directing strategic developments and business plans of our Group. Mr. Chen is currently a director of several of our principal operating subsidiaries, namely Shenzhen Guoyintongbao, Shenzhen Guojintongbao Company Limited (深圳國金通寶有限公司), Jingning Sheyin Culture Company Limited (景寧畲銀文化有限公司) and Baiyin Town (Shanghai) Cultural Industry Company Limited (白銀小鎮(上海)文化產業有限公司) ("Baiyin Town").

Prior to joining the Group, Mr. Chen served as the supervisor of the procurement department of Jiangxi Longtianyong Nonferrous Metals Co., Ltd. (江西龍天勇有色金屬有限公司) ("Longtianyong") from January 2006 to December 2010, and served as the manager of the procurement department of the same company from January 2011 to September 2013.

Mr. Chen graduated from Shandong University in Shandong Province, the PRC in January 2014 after completing a bachelor degree course in business administration through long distance learning. He has been a candidate of the executive master of business administration program at the Faculty of Management of Xiamen University, in Xiamen, the PRC, since October 2011 till present.

Mr. ZHANG Jinpeng (張金鵬), aged 37, was appointed as our executive Director in February 2017. Mr. Zhang has been the co-CEO and president of the Group since December 2016. Mr. Zhang joined the Group in October 2013, where he then served as the co-deputy general manager of the Group till November 2016. Mr. Zhang is primarily responsible for managing the technology centre and market centre of the Group. He is also responsible for online business operations and the management of the Group.

Prior to joining the Group, Mr. Zhang worked as a journalist and a photographer at Blu Mag Marcom & Productions in Singapore from December 2004 to July 2005. Mr. Zhang served as the product director at Beijing Hiersun Zheng Long Economy & Trade Co., Ltd (北京恒信正隆經貿有限公司) from August 2005 to July 2006, and as the accessories designer of the same company from August 2006 to March 2007. From April 2007 to April 2008, Mr. Zhang served as a product design manager at the product department of Beijing Zhuorui Industrial Jewelry Co., Ltd. (北京卓瑞興業珠寶貿易有限公司). Mr. Zhang served as a manager at the design department of Emperor Watch & Jewellery (Beijing) Company Ltd. (英皇鐘錶珠寶(北京)有限公司) from May 2008 to October 2009, and as a manager at the jewellery product department of the same company from November 2009 to April 2011. Between May 2011 and November 2012, Mr. Zhang served as the product branding director of Shanghai Wisdom Jewelry Trading Company Limited (上海溯天珠寶貿易有限公司) and continued with such position at Shanghai Polide Diamonds Limited (上海鉑利德鑽石有限公司) (after a partial transfer of business from Shanghai Wisdom Jewelry Trading Company Limited (上海溯天珠寶貿易有限公司) to Shanghai Polide Diamonds Limited (上海鉑利德鑽石有限公司)). From January 2013 to September 2013, Mr. Zhang served as the vice-president of the branding and sales centre of Shanghai Polide Diamonds Limited (上海鉑利德鑽石有限公司).

Mr. Zhang obtained a Diploma in Fine Arts (Jewellery & Metalsmithing) from the Lasalle-Sia College of the Arts from Singapore in August 2004. In June 2005, Mr. Zhang obtained a Master's Degree of Bachelor of Arts from the Lasalle-Sia College of the Arts in Singapore, an accredited institution from the Open University in the United Kingdom. Mr. Zhang was awarded the Finalist Award from the Jewelry Design Competition Rotary Club of Singapore East 2004 in Singapore in 2004.

Mr. QIAN Pengcheng (錢鵬程), aged 34, was appointed as our executive Director in February 2017. He has also been the financial manager of the Group since he joined the Group in October 2013. Mr. Qian is responsible for managing the financial department of the Group. Prior to joining the Group, Mr. Qian worked as a financial clerk at Longtianyong, from January 2006 to December 2010, and served as the financial supervisor of Longtianyong from January 2011 to September 2013.

Mr. Qian graduated from Shandong University in Shandong Province, the PRC in January 2014 after completing a bachelor degree course in business administration through long distance learning. He has been a candidate of the executive master of business administration program at the Faculty of Management of Xiamen University, in Xiamen, the PRC, since October 2011 till present.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FU Lui (府磊), aged 37, was appointed as the independent non-executive Director of the Company, taking effect on 13 March 2018. Mr. Fu is primarily responsible for supervising and providing independent judgment and analysis to the Board. Mr. Fu has over 14 years of experience in accounting and financial management. He is the financial controller and company secretary of China Uptown Group Company Limited (a company listed on the Main Board of the Stock Exchange, code: 2330) since July 2010. He is also an independent non-executive director and the chairman of the audit committee of China Unienergy Group Limited (a company listed on the Main Board of the Stock Exchange, code: 1573) since June 2016.

From September 2006 to June 2010, Mr. Fu was the finance manager of CSPC Pharmaceutical Group Limited (a company listed on the Main Board of the Stock Exchange, code: 1093), and from September 2002 to September 2006, Mr. Fu served as an accountant in the audit department at Deloitte Touche Tohmatsu.

Mr. Fu obtained a bachelor of arts in accountancy from The Hong Kong Polytechnic University in November 2002, and a master of business administration from The Chinese University of Hong Kong in December 2009. Mr. Fu has been a member of the Hong Kong Institute of Certified Public Accountants since July 2007 and has been advanced to a fellow since May 2016. He has also been a member of the Association of Chartered Certified Accountants since August 2006 and has been advanced to a fellow since August 2011.

Mr. HU Qilin, aged 47, was appointed as the independent non-executive Director of the Company, taking effect on 13 March 2018. Mr. Hu is primarily responsible for supervising and providing independent judgment and analysis to the Board. Mr. Hu has substantial experience in the area of Internet finance, corporate management and operations. He has served as the general manager of BaiduPay Science and Technology Co., Ltd., a subsidiary of Baidu, in Beijing, the PRC from August 2016 till January 2017. Mr. Hu has served as an Investment Partner of Sequoia Capital Consulting (Beijing) Co., Ltd. since March 2017.

In the period of September 2013 till October 2015, Mr. Hu served as a deputy general manager at TenPay, a subsidiary of Tencent, in Shenzhen of the PRC, and then from October 2015 till July 2016, he served as a chief operations officer at Ping An FinTech Ltd., a subsidiary of Ping An, in Shanghai of the PRC.

Mr. Hu obtained a bachelor degree in computer science from Nankai University in Tianjin, the PRC in July 1992, and a master degree in science from the University of Iowa in the United States in May 1996. In September 2016, Mr. Hu obtained an executive master of business administration degree at the Cheung Kong Graduate School of Business (長江商學院) in the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHANG Zuhui (張祖輝), aged 45, was appointed as the independent non-executive Director of the Company, taking effect on 13 March 2018. Mr. Zhang is responsible for supervising and providing independent judgment and analysis to the Board.

Mr. Zhang has served as a secretary general at Shenzhen City Gold and Jewellery Culture Research Association from August 2013 till present. During the period of January 2003 to December 2012, Mr. Zhang worked at China Golden Post. Mr. Zhang first served as a journalist, and then as a co-supervisor at the news editorial centre, and later as a supervisor at the Shenzhen news centre of China Golden Post.

In June 1995, Mr. Zhang graduated from Hubei University in Hubei Province, the PRC, with a college education in Chinese language and literature through long distance learning. In April 2010, Mr. Zhang obtained a Senior Gold Investment Analyst qualification from the Occupational Skills and Testing Authority of the Ministry of Human Resources and Social Security of the PRC.

SENIOR MANAGEMENT

Mr. LEE Jackie Kai Yat (李介一), aged 37, was appointed as the chief financial officer and joint company secretary of the Company, taking effect on 13 March 2018. Mr. Lee is responsible for the overall financial management and operation and secretarial matters of the Group.

Mr. Lee has 14 years of experience in accounting, finance and financial management. Prior to joining the Group, Mr. Lee worked at KPMG, an international accounting firm, from August 2003 to August 2010 (with his last position there as a manager). From September 2010 till March 2011, Mr. Lee served as a senior analyst at the research department of UOB Kay Hian (Hong Kong) Limited. Between April 2011 and December 2013, Mr. Lee served as a financial controller at Sino Prosper Management Limited, a subsidiary of Sino Prosper State Gold Resources Holdings Limited, which is currently known as Sino Prosper (Group) Holdings Limited (a company listed on the Main Board of the Stock Exchange, code: 766). From January 2014 to February 2015, Mr. Lee served as a managing director at Global Networking One Consulting Limited. From March 2015 to 12 March 2018, Mr. Lee served as a financial controller at China Silver Group Limited ("China Silver Group").

In May 2003, Mr. Lee obtained his bachelor's degree with Honours in Commerce, majoring in Finance and Accounting, from the University of British Columbia in Canada.

Mr. Lee joined the Association of Chartered Certified Accountants as an affiliate in 2005, and was admitted as a member in 2007.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules. Since the Listing Date and up to the date of this report (the "Review Period"), the Company has complied with the code provisions under the Code except for code provision A.2.1.

Code provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chen He is currently both the Chairman of the Board and a co-Chief Executive Officer of the Company. He has been leading the Group for over three years since he joined the Group in 2013. He has been the driving force behind our development, growth and expansion and is primarily responsible for the overall management of the Group and for directing strategic developments and business plans of the Group. In light of the above, all of the Directors consider Mr. Chen to be the best candidate for both positions and that such arrangement is beneficial to and in the best interests of the Group and the shareholders of the Company as a whole.

The Board will continue to review the situation and consider splitting the roles of Chairman and Chief Executive Officer of the Company in due course after taking into account of the then overall circumstances of the Group.

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.

As the Company was not listed on the Stock Exchange as of 31 December 2017, related rules under the Listing Rules concerning the Model Code that Directors shall observe did not apply to the Company for the year ended 31 December 2017.

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 during the Review Period.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

(i) Board Composition

As at the date of this annual report, the board of Directors (the "Board") comprised three executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Chen He (Chairman and co-Chief Executive Officer)
Mr. Zhang Jinpeng (co-Chief Executive Officer)
Mr. Qian Pengcheng

Independent non-executive Directors

Mr. Fu Lui
Mr. Hu Qilin
Mr. Zhang Zuhui

To the best knowledge of the Company, there is no financial, business or family relationship among the members of the Board.

The executive Directors, with assistance from the senior management, form the core management team of the Company. The executive Directors have the overall responsibility of formulating the business strategies and development plan of the Group and the senior management are responsible for supervising and executing the plans of the Company and its subsidiaries.

(ii) Board Functions and Duties

The principal functions and duties conferred to the Board include:

- convening general meetings and reporting the Board's work at general meetings;
- implementing resolutions passed by the shareholders of the Company in general meetings;
- deciding on business plans and investment plans;
- preparing annual financial budgets and final reports;
- formulating proposals for profit distributions, recovery of losses and for increases or reductions in the registered capital; and
- exercising other powers, functions and duties conferred by shareholders of the Company in general meetings.

(iii) Management Functions and Duties

The management is responsible for implementing the strategies and plans adopted by the Board. Executive Directors and management personnel meet regularly to review the performance of the business of the Group as a whole, co-ordinate overall resources and make financial and operational decisions.

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

(iv) Board Meetings

The Company had not been listed on the Stock Exchange during the year ended 31 December 2017, and was only listed on the Stock Exchange on 13 March 2018. During the Review Period, there were 3 board meetings held, at which the Directors approved, among other things, the annual results of the Group for the year ended 31 December 2017.

Prior notices convening the board meeting were despatched to the Directors before the board meetings setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved to enable the Directors to make informed decisions. The company secretary of the Company (the "Company Secretary") had been responsible for ensuring the procedures of the board meetings are observed and keeping minutes for the board meetings which were sent to the Directors for records and are open for inspection at any reasonable time by any Director on reasonable notice.

(v) Attendance Record

No general meeting was held during the Review Period. The following is the attendance record of the Directors at board meetings during the Review Period:

	Attendance at Board meetings
Executive Directors	
Mr. Chen He (Chairman)	3/3
Mr. Zhang Jinpeng	3/3
Mr. Qian Pengcheng	3/3
Independent non-executive Directors	
Mr. Fu Lui	3/3
Mr. Hu Qilin	2/3
Mr. Zhang Zuhui	3/3

(vi) Independent Non-executive Directors

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experiences and qualifications to carry out their duties so as to protect the interests of the shareholders of the Company. Among the three independent non-executive Directors, one of them has appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has also received a written annual confirmation from each of the independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmations, considers that all independent non-executive Directors are independent with reference to the guidelines stated in the Listing Rules.

(vii) Appointment and Re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for a term of three years, which is terminable by not less than three months' notice in writing.

Under code provision A.4.1 of the Code, all the non-executive directors should be appointed for a specific term, subject to re-election. Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years, which is terminable by not less than three months' notice in writing.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the articles of association of the Company (the "Articles"), all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself/herself for re- election by shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles. The Nomination Committee (as defined below) is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

(viii) Directors' Remuneration

The Remuneration Committee (as defined below) makes recommendations to the Board on the remuneration packages of the Directors and senior management personnel. It is the Company's policy that the remuneration package of each Director and senior management shall be determined by taking reference to, inter alia, their duties, responsibilities, experiences and qualifications.

(ix) Board Diversity

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

(x) Directors' Continuous Training and Development

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

AUDIT COMMITTEE

The Board established an audit committee (the "Audit Committee") on 13 March 2018 with written terms of reference in compliance with the Code. Under Rule 3.21 of the Listing Rules, a majority of the members of the audit committee should be independent non-executive directors and the audit committee should be chaired by an independent non-executive Director. The Audit Committee comprises all three independent non-executive Directors, namely, Mr. Fu Lui (Chairman), Mr. Hu Qilin and Mr. Zhang Zuhui. The primary responsibilities of the Audit Committee are to review and supervise financial reporting processes and risk management and internal control systems of the Group.

CORPORATE GOVERNANCE REPORT

During the Review Period, the Audit Committee held two meetings. The members of Audit Committee reviewed and discussed with the external auditors of the Company the Group's audited consolidated financial statements for the year ended 31 December 2017. They were of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made. Additional meeting may also be held by the Audit Committee from time to time to discuss special projects or other issues which it considers necessary. The external auditors of the Group may request a meeting of the Audit Committee to be convened if they consider that is necessary.

The main duties of the Audit Committee are as follows:

- To consider the appointment of the external auditors, the audit fee, and any question of resignation or dismissal.
- To discuss with the external auditors the nature and scope of the audit.
- To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard.
- To discuss with the management the systems of internal control and risk management and ensure that management has discharged its duty to have effective systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.
- To review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.
- To review the Group's interim and annual financial statements before submission to the Board.
- To discuss problems and reservations arising from the interim and final audits and any matters that the external auditors may wish to discuss.
- To review the external auditors' management letter and the management's response.
- To review the Group's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review risk management and internal control systems.
- To consider the major findings of any internal investigations on risk management and internal control matters as delegated by the Board or its own initiative and the management's response to these findings.
- To consider other topics, as defined by the Board.

The following is the attendance record of the committee meetings held by the Audit Committee.

	Attendance at meetings
Mr. Fu Lui (Chairman)	1/1
Mr. Hu Qilin	1/1
Mr. Zhang Zuhui	1/1

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, the total fee paid/payable in respect of audit services to the external auditor of the Group, Deloitte Touche Tohmatsu, was approximately RMB1.21 million. In addition, approximately RMB0.08 million was charged for non-audit services.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re- appointment and removal of the external auditor, which is subject to the approval by the Board and at general meetings of the Company by the shareholders.

DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare accounts of the Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make informed assessments of the financial and other decisions.

RISK MANAGEMENT AND INTERNAL CONTROL

In view of the implementation of the Consultation Conclusions on Risk Management and Internal Control relating to code provision C.2.1 of the Code issued by the Stock Exchange in December 2014, the Board has already reviewed the effectiveness of its risk management framework and processes and internal control systems, and has implemented relevant measures resulting from this exercise that aim to enhance its framework and processes to comply with the requirements of the Code.

The Group established the Risk Management Taskforce ("RMTF") to assist the Board and the Audit Committee in overseeing the Group's risk management and internal control systems on an ongoing basis. The RMTF is responsible for leading and coordinating risk assessment activities including risk identification, risk assessment, actions taken to monitor and mitigate risks and risk reporting at least once a year. The risk inventory of the Group is developed and will be updated based on the results of the risk assessment. The risk assessment report is prepared based on the results of the risk assessment and the progress of risk management processes. The risk assessment report is submitted to the Audit Committee for review and approved by the Board.

The Board is ultimately responsible for determining and evaluating the risks it is willing to take in achieving its objectives, and ensuring it establishes and maintains effective risk management and internal control systems for the Group. The Group maintains risk management and internal control systems that are designed to provide reasonable, but not absolute assurance against material misstatement or loss in the achievement of its objectives. The Board also has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The main features of these systems include a clear governance structure, defined roles and responsibilities, reporting procedures and clear risk management and internal control procedures, ascertaining its staff to achieve the Group's strategic objectives by implementing effective risk management and internal control systems and fulfilling the respective compliance requirements.

The Group also established an internal audit function to provide the Board and the management with useful information and recommendations on the adequacy and effectiveness of the risk management and internal control systems. The internal audit function is authorised by the Board to have access to all records, people and physical properties relevant to the performance of internal audit. The head of internal audit has unrestricted access to the chairman of the Audit Committee and reports directly to the Audit Committee for direction and accountability. During the year, the Group engaged an external professional consultant to provide internal audit services to assist the Group to identify weakness as well as review the effectiveness of the design and implementation of the risk management and internal control systems and make appropriate recommendations for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

The management of the Group is committed to taking appropriate remedial actions promptly in respect of the internal control deficiencies and ensure the Group maintains an adequate and effective risk management and internal control systems.

The Board conducts an annual review on the effectiveness of risk management and internal control systems, covering but not limited to:

- Review the changes in the nature and extent of significant risks since last year's review, and the Group's ability to respond to changes in its business and the external environment;
- Review the extent and frequency of communication of monitoring results to the Board and the Audit Committee, and effectiveness of the risk management, financial reporting and Listing Rules compliance;
- Address any significant control failings or weakness that have been identified during the review; and
- Review on the accounting, financial reporting and internal audit function, including the adequacy of resources, staff qualifications and experience, the quality of training programmes, and budget.

The risk management and internal controls systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO, Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential, If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

Subsequent to the Listing Date, the Audit Committee carried out a review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions and discussed with the internal audit team on the effectiveness and adequacy of the Company's system and procedures.

For the Review Period, the Board and the Audit Committee considered that the risk management and internal control systems of the Group were adequate and effective.

NOMINATION COMMITTEE

The Board established a nomination committee (the "Nomination Committee") on 13 March 2018 with written terms of reference in compliance with the Code. Under the code provision A.5.1 of the Code, a majority of the members of the nomination committee should be independent non-executive directors and the nomination committee should be chaired by the chairman of the Board or an independent non-executive director. The Nomination Committee comprises Mr. Chen He (Chairman), Mr. Zhang Zuhui and Mr. Fu Lui, with the latter one being independent non-executive Directors.

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

Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the independent non-executive Directors) are sought. The selection criteria of the qualified candidates are mainly based on assessments of their qualifications, experiences and expertise as well as the requirements under the Listing Rules. The Nomination Committee selects and recommends candidates for directorship with regards to balancing skills and experiences appropriate to the Group's businesses.

During the Review Period, the Nomination Committee held one meeting. The members of Nomination Committee reviewed and discussed the current structure, size and composition of the Board and the remuneration of the senior management.

CORPORATE GOVERNANCE REPORT

The following is the attendance record of the committee meeting held by the Nomination Committee.

	Attendance at meetings
Mr. Chen He (Chairman)	1/1
Mr. Zhang Zuhui	1/1
Mr. Fu Lui	1/1

REMUNERATION COMMITTEE

The Board established a remuneration committee (the "Remuneration Committee") on 13 March 2018 with written terms of reference in compliance with the Code. Under Rule 3.25 of the Listing Rules, a majority of the members of the remuneration committee should be independent non-executive directors and the remuneration committee should be chaired by an independent non-executive director. The Remuneration Committee comprises Mr. Zhang Zuhui (Chairman), Mr. Fu Lui and Mr. Hu Qulin in which all three are independent non-executive Directors.

The primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the remuneration packages of the Directors and senior management personnel of the Group and to ensure that no Director or any of his associates is involved in deciding his own remuneration.

EMOLUMENT POLICIES AND REMUNERATION COMMITTEE

The emolument policies of the Group are formulated on performance of individual employees and on the basis of salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the profitability of the Group, the Group may also distribute discretionary bonuses to its employees as incentives for their contributions to the Group.

During the Review Period, the Remuneration Committee held one meetings. The members of Remuneration Committee reviewed and discussed the policies for the remuneration of executive Directors, the performances of executive Directors during the Review Period.

The following is the attendance record of the committee meetings held by the Remuneration Committee.

	Attendance at meetings
Mr. Zhang Zuhui (Chairman)	1/1
Mr. Fu Lui	1/1
Mr. Hu Qilin	1/1

MEETING WITH INDEPENDENT NON-EXECUTIVE DIRECTORS

The Chairman of the Board held one meeting with the independent non-executive Directors without the presence of the other executive Directors on 28 March 2018 to review and discuss, among other things, the independence of the independent non-executive Directors and confirmed that the independent non-executive Directors can express their views at the Board meetings without restrictions.

COMPANY SECRETARY

Mr. Lee Jackie Kai Yat, one of the joint company secretaries, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has appointed Mr. Wong Yat Sum to act as a joint company secretary to assist Mr. Lee with his discharge of duties as a joint company secretary. Mr. Wong's primary contact person at the Company is Mr. Lee.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following various channels:

1. The annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the Directors are available at the annual general meetings of the Company to address shareholders' queries;

2. Separate resolutions are proposed at the general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in the circulars to the shareholders of the Company to facilitate enforcement of shareholders' rights;

3. Interim and annual results are announced as early as possible, to keep shareholders of the Company informed of the Group's performances and operations; and

4. Updated key information of the Group is available on the Company's website to enable shareholders of the Company and investors to have timely access to information about the Group.

THE WAY BY WHICH SHAREHOLDERS CAN CONVENE AN EXTRAORDINARY GENERAL MEETING (THE "EGM")

The Directors, notwithstanding anything in the Articles shall, on the requisition of shareholders holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company having the right of voting at general meetings of the Company, forthwith proceed duly to convene an EGM.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited to the Company Secretary at the Company's principal place of business in Hong Kong at Unit 1417, China Merchants Tower, 168- 200 Connaught Road Central, Sheung Wan, Hong Kong and may consist of several documents in like form each signed by one or more requisitionists.

The request will be verified with the Company's share registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the EGM.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of two months from the said date.

THE PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

The enquiries must be in writing with contact information of the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong at Unit 1417, China Merchants Tower, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

THE PROCEDURES FOR MAKING PROPOSALS AT SHAREHOLDERS' MEETINGS

To put forward proposals at an annual general meeting or EGM, the shareholders should submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's principal place of business at Unit 1417, China Merchants Tower, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The request will be verified with the Company's share registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during the year ended 31 December 2017 since its incorporation on 19 January 2017. In anticipation of the listing of the Company on the Stock Exchange, the amended and restated articles of association of the Company were conditionally adopted on 13 February 2018, taking effect on the Listing Date. For details, please refer to the Prospectus.

REPORT OF THE DIRECTORS

The directors of our Company (the "Directors") are pleased to report the audited consolidated financial statements of our Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

REORGANISATION AND GLOBAL OFFERING

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 January 2017 under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation, as fully explained in the section of "History, Reorganization and Group Structure" in the Prospectus in connection with the proposed listing of the Company's shares (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group. The Shares were listed on the Stock Exchange on 13 March 2018 (the "Listing").

USE OF PROCEEDS FROM THE COMPANY'S GLOBAL OFFERING

The aggregate net proceeds from the Global Offering (after deducting the underwriting fees and commissions and estimated expenses in relation to the Global Offering paid and payable by the Company) amounted to approximately HK$406 million. The proposed application of net proceeds as stated in the Prospectus has been adjusted according to the principles and proposed percentage of utilisation as specified in the section headed "Future Plans and Use of Proceeds" of the Prospectus. The Group did not utilize any part of the proceeds from the Listing Date and up to the date of this report.

PRINCIPAL ACTIVITIES

The principal activity of our Company is investment holding and the Group is principally engaged in the design and sales of jewellery products in the PRC ("New Jewellery Retail").

BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion on the Group's future business development and an analysis of the Group's performance during the year ended 31 December 2017 using financial key performance indicators are provided in the sections headed "Chairman's Statement" on pages 7 to 12 and "Management Discussion and Analysis" on pages 13 to 17 of this annual report which form part of this report.

(i) Principal risks and uncertainties

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in its businesses and operations as efficiently and effectively as possible. The Board delegates some of this responsibility to various operational departments.

The Group's principal business activities are the New Jewellery Retail business. It will be exposed to a variety of key risks including credit risk, interest risk, liquidity risk, operational risk, regulatory and market risk. There may be other risks and uncertainties which are not known to the Group or which may not be material.

(ii) Environmental policies and performance

The Group recognizes the importance of proper adoption of environmental policies which is essential to the attainability of corporate growth. Management has formulated an environment management policy for the Group based on applicable environmental laws, regulations and standards. The environmental protection and work safety department is responsible for designing and reviewing the internal control measures to ensure compliance with applicable environmental laws and regulations.

(iii) Compliance with laws and regulations

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Company is aware, during the year ended 31 December 2017, there was no material breach of or non-compliance with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

(iv) Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, customers, suppliers and shareholders.

(a) Employees

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognize performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

(b) Customers

The Group's principal customers are downstream manufacturers and traders of manufacturing business and silver exchange business, and consumers of New Jewellery Retail business. The Group has the mission to provide excellent service and products whilst maintain our long-term profitability, business and asset growth. Various means have been established to strength the communication between the customers and the Group in the provision of excellent service and products.

(c) Suppliers

Sound relationships with key suppliers of the Group are important in supply chain which can derive cost effectiveness and foster long-term business benefits. The key suppliers comprise the raw material suppliers and business partners of New Jewellery Retail business which provide value-added services to the Group.

(d) Shareholders

One of the Group's corporate goals is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders by stable dividend payouts taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

(v) Events after the reporting period

Subsequent to 31 December 2017, the following significant events took place:

(i) On 13 March 2018, our Company was successfully listed on the Main Board of the Stock Exchange. The gross proceeds derived from the Global Offering amounted to approximately HK$462 million.

(ii) Upon listing of the Company's shares on 13 March 2018 and pursuant to the resolutions of the shareholders passed on 13 February 2018 and 21 February 2018, 27,070,010 new shares of our Company were allotted and issued to China Silver Group to settle part of the amount due to immediate holding company and the remaining outstanding amount of RMB315,801,736 were capitalised as contribution reserve. All of these new shares were distributed to the qualifying shareholders of China Silver Group in proportion to their shareholding as of 26 February 2018, except for fractional entitlements of such qualifying shareholders (totalling 33 shares) which have been retained by China Silver Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 50 of this report.

The Board has resolved not to recommend payment of a final dividend for the year ended 31 December 2017 (for the year ended 31 December 2016: Nil).

FOUR YEARS' FINANCIAL SUMMARY

A financial summary of the Group for the last four years are set out on page 106 of this report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the Group's sales to its five largest customers and its largest customer accounted for 58.3% (2016: 19.5%) and 42.3% (2016: 5.8%) of the Group's total sales respectively.

For the year ended 31 December 2017, the Group's five largest suppliers and the largest supplier accounted for 80.2% (2016: 77.9%) and 54.8% (2016: 41.1%) of the Group's total purchases respectively.

None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 20 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year ended 31 December 2017 are set out in page 104 of this report.

As of 31 December 2017, the reserves of our Company available for distribution to shareholders amounted to RMB346,191,000 (2016: RMB172,756,000).

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's article of association, dividends shall be distributed out of the retained profits or other reserve, representing the share premium account of the Company.

BORROWINGS

The Group did not have bank borrowings as at 31 December 2017.

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this report were:

Executive Directors:

Mr. Chen He (Chairman and co-Chief Executive Officer)
Mr. Zhang Jinpeng (co-Chief Executive Officer)
Mr. Qian Pengcheng

Independent Non-Executive Directors:

Mr. Fu Lui
Mr. Hu Qilin
Mr. Zhang Zuhui

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 18 to 20 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT OF NON- EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from each of the independent non-executive Directors and the Company, based on such confirmations, considers such Directors to be independent for the year ended 31 December 2017.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service agreement with the Company for a term of three years. Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years. None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed in this report, no Director or entity connected with a Director had a material interest in, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its holdings companies, subsidiaries or fellow subsidiaries was a party and which subsisted at the end of or at any time during the year ended 31 December 2017.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, chief executive and five highest paid individuals are set out in note 10 to the consolidated financial statements.

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

As the Company was not listed on the Stock Exchange as of 31 December 2017, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors and the chief executive of the Company as of 31 December 2017. As of the date of this report, 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 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	Nature of interest	Number of Shares[(1)]	Approximate percentage of interest in our Company
Mr. Chen He[(1)]	Interest in a controlled corporation	21,250,000	2.02%
Mr. Qian Pengcheng[(2)]	Interest in a controlled corporation	14,500,000	1.38%
Mr. Zhang Jinpeng[(3)]	Interest in a controlled corporation	12,500,000	1.19%

(1) Silver Apex is directly wholly owned by Mr. Chen He. Accordingly, Mr. Chen He is deemed to be interested in the 21,250,000 Shares held by Silver Apex by virtue of the SFO.

(2) Treasure Delight is directly wholly owned by Mr. Qian Pengchen. Accordingly, Mr. Qian Pengchen is deemed to be interested in the 14,500,000 Shares held by Treasure Delight by virtue of the SFO.

(3) Diamond Port is directly wholly owned by Mr. Zhang Jinpeng. Accordingly, Mr. Zhang Jinpeng is deemed to be interested in the 12,500,000 Shares held by Diamond Port by virtue of the SFO.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2017 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the Company was not listed on the Stock Exchange as of 31 December 2017, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as of 31 December 2017. 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 the date of this report, 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 of Shareholder	Nature of Interest	Number of Shares	Approximate percentage of shareholding
China Silver Group	Beneficial owner	500,000,033	47.46%
Blaze Loop Limited	Beneficial owner	166,025,000	15.76%
Mr. LIN Ting (林挺)(1)	Interest in a controlled corporation	166,025,000	15.76%
Caitong Funds SPC (for and on behalf of Caitong Pine Ocean New Economy Fund SP)	Beneficial owner	60,059,000	5.70%
Zhejiang Provincial Financial Development Company (浙江省財務開發公司)(2)	Interest in a controlled corporation	60,059,000	5.70%
Best Conduct Investments Limited	Beneficial owner	58,000,000	5.50%
Hardstone Investment Limited(3)	Interest in a controlled corporation	58,000,000	5.50%
Mr. SHI Jinglei (石勁磊)(3)	Interest in a controlled corporation	58,000,000	5.50%

1. Blaze Loop Limited was formed under the Company's employee share scheme established on 21 August 2016 and is directly wholly owned by Mr. Lin. Accordingly, Mr. Lin is deemed to be interested in the 166,025,000 Shares held by Blaze Loop Limited by virtue of the SFO. Mr. Lin is an employee of the Group and the trustee under the said employee share scheme.

2. Zhejiang Provincial Financial Development Company (浙江省財務開發公司) is deemed to be interested in the 60,059,000 Shares held by Caitong Funds SPC (for and on behalf of Caitong Pine Ocean New Economy Fund SP) by virtue of the SFO through various controlled corporations, including Zhejiang Provincial Financial Holdings Co., Ltd. (浙江省金融控股有限公司), Caitong Securities Co., Limited (財通證券股份有限公司), Caitong Securities (Hong Kong) Co., Limited, Caitong International Asset Management Co., Limited, Caitong International Investment Co., Limited and Caitong International Overseas Investment Limited.

3. Best Conduct Investments Limited is directly owned as to 70% by Hardstone Investment Limited, which is in turn directly wholly owned by Mr. SHI Jinglei (石勁磊). Accordingly, each of Hardstone Investment Limited and Mr. Shi is deemed to be interested in the 58,000,000 Shares held by Best Conduct by virtue of the SFO.

Except as disclosed above, as at the date of this report, 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

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 2017.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders.

NON-COMPETITION UNDERTAKING

To safeguard our Group from any potential competition with China Silver Group ("**our Controlling Shareholder**") and its close associates, on 13 February 2018, our Controlling Shareholder has executed a Deed of Non-Competition in favour of our Company, pursuant to which our Controlling Shareholder has undertaken to us that it will not, and that it will procure that its subsidiaries and parties controlled by it either solely or jointly with any other party (the "**Affiliates**") will not, solely or jointly or in cooperation with other parties, without our prior written consent, hold and/or be interested in, either directly or indirectly, any shares or securities or interest in any company or other business entity which is engaged or involved in, directly or indirectly, any activity or business which competes or is likely to compete, directly or indirectly, with the existing businesses of any member of our Group after the Listing (the "**Restricted Business**").

The non-competition undertaking does not apply to the holding of securities in a company that is engaged in the Restricted Business, provided that our Controlling Shareholder or its close associates does not individually and in aggregate hold or control the voting rights in respect of 10% or more of the issued share capital of such company.

Pursuant to the Deed of Non-Competition, our Controlling Shareholder has also undertaken that if it or any of its Affiliates become aware of any business opportunity relating to any Restricted Business (the "**Business Opportunity**"), it will notify us of such Business Opportunity as soon as they become aware of the same, and will use commercially reasonable efforts to assist our Group in pursuing such Business Opportunity. To the extent that the Business Opportunity is being made available by a third party to any of our Controlling Shareholder or its Affiliates, our Controlling Shareholder will use commercially reasonable efforts to procure that such Business Opportunity is first offered to our Group as soon as practicable on terms and conditions which are no less favourable than those offered to it or its Affiliates. Our Company will seek approval from our independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline such Business Opportunity. Our Controlling Shareholder will ensure that it or its Affiliates will be entitled to pursue the Business Opportunity only if: (i) it has received a notice from us declining such Business Opportunity and confirming that such Business Opportunity would not constitute competition with our core business; or (ii) it has not received any notice from us within a period of 10 Business Days (the "**Offer Notice Period**") of us being notified by it of such Business Opportunity. The Offer Notice Period shall be extended to not more than 30 Business Days at the request of our independent non-executive Directors who do not have a material interest in the matter.

The undertakings given by our Controlling Shareholder under the Deed of Non-Competition are effective from the 13 March 2018 and terminate on the earlier of: (i) the date on which our Controlling Shareholder cease to be our controlling shareholder as defined in the Listing Rules; (ii) the date on which the Shares cease to be listed on the Stock Exchange; and (iii) the date on which our Group ceases to engage in the Restricted Businesses.

Our independent non-executive Directors will consider on an annual basis whether or not our Controlling Shareholder has complied with the terms set forth in the Deed of Non-Competition. Our independent non-executive Directors may appoint independent advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-Competition at the cost of our Company. We will disclose in our annual report decisions or determinations, with basis, in relation to matters reviewed by the independent non-executive Directors regarding: (i) the Business Opportunities offered by any of our Controlling Shareholder to us; and (ii) whether any activity or business or proposed activity or business of any of our Controlling Shareholder or its Affiliates competes or is likely to compete, either directly or indirectly, with the Restricted Business.

To ensure our independent non-executive Directors are able to monitor the compliance with the Deed of Non-Competition, our Controlling Shareholder has undertaken in the Deed of Non-Competition to provide and to procure the provision to us all information necessary for the enforcement of the undertakings contained therein. Our Controlling Shareholder has further undertaken to make a statement in our annual report confirming its compliance with the terms of the Deed of Non-Competition.

China Silver Group has provided a written confirmation to the Company confirming that it has complied with the terms of the Deed of Non-Competition up to the date of this report. The independent non-executive Directors have also reviewed the status of compliance by China Silver Group and confirmed that, as far as they can ascertain, China Silver Group has complied with the terms of the Deed of Non-Competition.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this report, as of 31 December 2017, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CONNECTED TRANSACTIONS

Details of the related party transactions are set out in note 28 to the consolidated financial statements. Certain purchases of silver ingots constitute non-exempted continuing connected transactions under the Listing Rules; however, as they took place prior to the Listing, they are not subject to relevant Listing Rules requirements. Except for the above, the Group had not entered into any other connected transactions nor continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules.

REPORT OF THE DIRECTORS

CONTRACTUAL ARRANGEMENTS AND THEIR TERMINATION

Our online business generates revenue from e-commerce transactions that fall into the category of online data processing and transaction processing services (operating e-commerce) (在線數據處理與交易處理業務(經營類電子商務)) under PRC laws and regulations. At the time when our online business was first developed, Shenzhen Guoyintongbao (as a wholly foreign owned enterprise) and its subsidiaries were restricted from engaging in operating e-commerce transactions under relevant PRC laws and regulations. Through certain agreements entered into between, among others, Shenzhen Guoyintongbao and Shenzhen Yinruiji Cultural Development Company Limited (深圳銀瑞吉文化發展有限公司) ("Shenzhen Yinruiji") (the "Contractual Arrangements") which were entered into on 20 May 2014, Shenzhen Yinruiji and its direct non-wholly owned subsidiary, Jiangxi CSMall Payment Company Limited (江西金貓銀貓支付有限公司) ("Jiangxi CSMall Payment"), were accounted for as subsidiaries of Shenzhen Guoyintongbao and their financial results were consolidated into the financial results of our Group during the Track Record Period. From 31 July 2014 until 22 August 2017, our Internet website, www.csmall.com (formerly known as www.csmall.cn), mobile website, m.csmall.com and mobile app, 金貓銀貓 CSmall were operated by Shenzhen Yinruiji, which held the VAT Licence (ICP)*.

Following certain changes to applicable PRC laws and regulations in the first half of 2015, wholly foreign owned enterprises are now permitted to hold the relevant licence to engage in operating e-commerce transactions. Baiyin Town obtained the VAT Licence (EDI)** on 31 July 2017. On 9 August 2017, Shenzhen Yinruiji, Shenzhen Guoyintongbao, Mr. Chen He, Mr. Qian Pengcheng and Baiyin Town entered into an agreement pursuant to which it was agreed that the Contractual Arrangements shall terminate upon the satisfaction of certain conditions precedent (the "Contractual Arrangement Termination Agreement"). Such conditions precedent were satisfied on 22 August 2017 and the Contractual Arrangements were terminated on the same day. As a result of the termination of the Contractual Arrangements, our Group no longer has any interests, control, power or rights over Shenzhen Yinruiji and Jiangxi CSMall Payment. Upon the termination of the Contractual Arrangements, our Internet website, mobile website and mobile app have been operated by Baiyin Town which holds the VAT Licence (EDI)**. As advised by our PRC legal adviser, the Contractual Arrangement Termination Agreement is legally valid and binding on the relevant parties and is in compliance with all applicable PRC laws and regulations.

* "VAT Licence (ICP)" means the Value-Added Telecommunication Business Licence (Internet Information Services) (增值電信業務許可證(互聯 網信息服務業務)) obtained by Shenzhen Yinruiji on 9 June 2014.

** "VAT Licence (EDI)" means the Approval for the Pilot Operation of the Value-Added Telecommunications Business by Foreign Investors in China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區外商投資經營增值電信業務試點批覆), also known as the Value-Added Telecommunication Business Licence (增值電信業務許可證), obtained by Baiyin Town on 31 July 2017, the approved business being online data processing and transaction processing services (operating e-commence).

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or requiring the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

CHARITABLE DONATIONS

During the year ended 31 December 2017, the Group did not make any charitable donations. From 1 January 2018 to the date of this report, the Group made charitable donations totaling HK$1,000,000 in connection with the stock code balloting for the Listing.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

We mainly operate in the PRC with most of the transactions settled in RMB and therefore have minimal exposure to foreign exchange risk. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will closely monitor such risk on an ongoing basis. For a detailed discussion, please refer to note 25(b) to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES AND SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct for the year ended 31 December 2017.

PERMITTED INDEMNITY PROVISION

Pursuant to article 191 of the Company's articles of associations, every Director is entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of the duties of his office or otherwise in relation thereto (except such is incurred or sustained through his own fraud or dishonesty). Such provision is currently in force and was in force throughout the year ended 31 December 2017.

The Company has taken out and maintained appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company throughout the year ended 31 December 2017.

REPORT OF THE DIRECTORS

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the Shares.

CORPORATE GOVERNANCE

The Company is committed to the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 21 to 32 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this report.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as our auditor.

On behalf of the Board
Chen He
Chairman

Hong Kong, 28 March 2018

Deloitte. 德勤

TO THE MEMBERS OF CSMALL GROUP LIMITED
金貓銀貓集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CSMall Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 50 to 105, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on sales of first hand gold bars with tailor-made specification to a specific customer	
We identified revenue recognition, in particular the revenue from sales of first hand gold bars with tailor-made specification to a specific customer through the Group's online platform as a key audit matter due to its significance to the consolidated statement of profit or loss and other comprehensive income and the significant judgments involved in recognising revenue, principally in respect of whether the Group is acting as a principal or an agent. In determining whether the Group is acting as a principal or as an agent, it requires judgement and consideration of all relevant facts and circumstances. The Group would be acting as a principal when the Group has exposure to the significant risk and rewards associated with the sales of goods. As disclosed in Note 4 to the consolidated financial statements, the Group purchased first hand gold bars from a supplier to manufacture the tailor-made gold bars through external original equipment manufacturing ("OEM") contractors, which the Group subsequently sold to this customer. The Group recognised revenue based on the agreed selling price when the gold bars are delivered and titles have passed to the customer. The management concluded the Group has exposure to the significant risk and rewards associated with the sale of first hand gold bars with tailor-made specification to the specific customer after considering the key factors including the Group's primary responsibility for making the sales, the Group's exposure to inventory risks and the Group's latitude in establishing prices. As set out in Note 5 to the consolidated financial statements, during the year ended 31 December 2017, the revenue generated from this customer was RMB1,488,385,000.	Our procedures in relation to revenue recognition on sales of first hand gold bars with tailor-made specification to a specific customer included: • Reviewing the master agreement to obtain an understanding of the terms of the sales transactions, including rights and obligations of each of the contractual parties, the terms of delivery and acceptance, the establishment of prices to evaluate the Group's primary responsibility for making the sales, the Group's exposure to inventory risks and the Group's latitude in establishing prices; • Discussing with the management and checking the supporting documents, including work orders issued to OEM contractors, and purchase orders to understanding how the management fulfills customer orders and determines the selling price; and • Verifying whether the transactions were carried out in accordance with the master agreement by: – Interviewing the customer; – Inspecting the documents including pick up advices, work orders issued to OEM contractors and good receipt notes endorsed by the customer; and – Checking the purchase price, subcontracting fee and selling price, on a sample basis, to suppliers' invoices and sales invoices.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified valuation of inventories as a key audit matter due to the significance of balance to the consolidated financial statements and significant management's judgement involved in the valuation process. As explained in Note 4 to the consolidated financial statements, the management of the Group regularly reviews its inventory levels and ageing analysis to identify slow-moving inventories and makes allowance for inventories based primarily on the current market conditions and subsequent selling price. Referring to Note 4 to the consolidated financial statements, the carrying amount of inventories in the consolidated statement of financial position as at 31 December 2017 amounted to RMB342,783,000, without any allowance being recognised.	Our procedures in relation to assessing the appropriateness of the valuation of the inventories included: • Obtaining an understanding of the Group's inventory provision policy and the management's processes in identifying slow-moving inventories; • Testing the accuracy of the ageing analysis prepared by the management, on a sample basis, by tracing to good receipt notes; • Assessing whether slow moving inventories were properly identified after taking into account the current market condition and ageing analysis; and • Comparing the actual selling prices of finished goods subsequent to year end, on a sample basis, to their carrying amounts to check whether the finished goods are stated at the lower of cost and net realisable value.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chan Tsz Wai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	5	**3,519,581**	2,465,291
Cost of sales		**(3,268,296)**	(2,315,776)
Gross profit		**251,285**	149,515
Other income, gains and losses	6	**(59)**	6,147
Selling and distribution expenses		**(41,726)**	(43,398)
Administrative expenses		**(51,339)**	(44,136)
Share of results of associates		**(18)**	350
Listing expenses		**(18,645)**	(3,802)
Profit before tax		**139,498**	64,676
Income tax expense	7	**(38,557)**	(14,412)
Profit for the year	8	**100,941**	50,264
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(16)**	33
Total comprehensive income for the year		**100,925**	50,297
Profit (loss) for the year attributable to:			
Owners of the Company		**101,305**	50,264
Non-controlling interests		**(364)**	—
		100,941	50,264
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**101,289**	50,297
Non-controlling interests		**(364)**	—
		100,925	50,297
Basic earnings per share (RMB)	11	**0.12**	0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**10,711**	7,767
Intangible assets	13	**4,351**	3,840
Interests in associates	14	**—**	—
Deposits paid on acquisition of property, plant and equipment		**6,920**	—
		21,982	11,607
CURRENT ASSETS			
Inventories	15	**342,783**	343,989
Trade and other receivables	16	**201,962**	126,392
Amount due from immediate holding company	17	**522**	348
Amount due from a fellow subsidiary	17	**—**	34,303
Amount due from a related company	17	**30**	—
Bank balances and cash	18	**338,006**	124,901
		883,303	629,933
CURRENT LIABILITIES			
Trade and other payables	19	**158,255**	50,918
Amount due to immediate holding company	17	**380,228**	364,908
Amounts due to fellow subsidiaries	17	**3,273**	477
Amount due to a related company	17	**760**	—
Income tax payable		**16,578**	3,883
		559,094	420,186
NET CURRENT ASSETS		**324,209**	209,747
NET ASSETS		**346,191**	221,354
CAPITAL AND RESERVES			
Share capital	20	**572**	516
Reserves		**345,619**	172,240
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**346,191**	172,756
Non-controlling interests		**—**	48,598
TOTAL EQUITY		**346,191**	221,354

The consolidated financial statements on pages 50 to 105 were approved and authorised for issue by the board of directors on 28 March 2018 and are signed on its behalf by:

CHEN HE
DIRECTOR

ZHANG JINPENG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital/ paid-in capital RMB'000	Share premium RMB'000	Contribution reserve RMB'000	Capital reserve RMB'000 (Note ii)	Other reserve RMB'000	Statutory reserve RMB'000 (Note iii)	Exchange reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	120,332	–	(5,749)	126	–	2	(9)	(36,165)	78,537	48,598	127,135
Profit for the year	–	–	–	–	–	–	–	50,264	50,264	–	50,264
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	33	–	33	–	33
Total comprehensive income for the year	–	–	–	–	–	–	33	50,264	50,297	–	50,297
Arising from the Reorganisation (Note iv)	(120,332)	–	–	(126)	–	–	–	–	(120,458)	–	(120,458)
Issue of shares	516	–	–	–	161,994	–	–	–	162,510	–	162,510
Deemed contribution (Note vi)	–	–	3,009	–	–	–	–	–	3,009	–	3,009
Net contribution from (return to) Longtianyong and FY Silver (Note i)	–	–	5,973	–	–	–	–	(6,359)	(386)	–	(386)
Loss on disposal of an associate (Note 14)	–	–	(753)	–	–	–	–	–	(753)	–	(753)
Transfer	–	–	–	–	–	3,688	–	(3,688)	–	–	–
At 31 December 2016	516	–	2,480	–	161,994	3,690	24	4,052	172,756	48,598	221,354
Profit (loss) for the year	–	–	–	–	–	–	–	101,305	101,305	(364)	100,941
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(16)	–	(16)	–	(16)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(16)	101,305	101,289	(364)	100,925
Issue of shares	399	–	–	–	72,560	–	–	–	72,959	–	72,959
Arising from the Reorganisation (Note v)	(343)	232,962	–	–	(232,619)	–	–	–	–	–	–
Net return to Longtianyong and FY Silver (Note i)	–	–	–	–	–	–	–	(813)	(813)	–	(813)
Termination of a Structured Entity (Note 29(b))	–	–	–	–	–	–	–	–	–	(48,234)	(48,234)
Transfer	–	–	–	–	–	8,536	–	(8,536)	–	–	–
At 31 December 2017	572	232,962	2,480	–	1,935	12,226	8	96,008	346,191	–	346,191

Notes:

(i) The net contribution from/return to two subsidiaries of China Silver Group Limited ("China Silver Group"), the immediate and ultimate holding company, namely 江西龍天勇有色金屬有限公司 ("Longtianyong") and 浙江富銀白銀有限公司 ("FY Silver") represents the funding and assets provided by/transferred to Longtianyong and FY Silver to/by the Group prior to the Reorganisation (as defined in Note 1).

(ii) The capital reserve represents the exchange difference arising from the capital injection by China Silver Group to the Group's subsidiary, 深圳國銀通寶有限公司 ("Shenzhen Guoyintongbao").

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

(iv) Amount represents the transfer of nominal value of share capital/paid-in capital of the subsidiaries acquired by CSMall Group Limited ("CSMall Group BVI") upon the Reorganisation as defined and detailed in Note 1.

(v) Amount represents the transfer of share capital of CSMall Group BVI to the Company pursuant to the Reorganisation as detailed in Note 1.

(vi) During the year ended 31 December 2016, the Group disposed of its entire equity interest in CS Jewellery International Limited ("CSJ International") to China Silver Group at Nil consideration. Gain on disposal of CSJ International of RMB3,009,000 was recognised in the contribution reserve as deemed contribution.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

Prior to the Reorganisation as detailed and defined in Note 1, the New Jewellery Retail Business Units were operated under Longtianyong and FY Silver up to April 2016 and September 2016, respectively, and no separate bank accounts were maintained by the New Jewellery Retail Business Units. The treasury and cash disbursement functions of the New Jewellery Retail Business Units were centrally administrated under Longtianyong and FY Silver. The net cash flows generated by the New Jewellery Retail Business Units were kept in the bank accounts of Longtianyong and FY Silver. Accordingly, the funds provided for or withdrawn from Longtianyong and FY Silver were presented as movements in the equity while there were no cash and cash equivalents balance for the New Jewellery Retail Business Units and there were no cash received/paid directly by the Group in connection with its operating, investing and financing activities.

	Note	**2017** **RMB'000**	2016 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**139,498**	64,676
Adjustments for:			
Depreciation of property, plant and equipment		**2,368**	2,136
Amortisation of intangible assets		**2,747**	1,089
Bank interest income		**(1,248)**	(240)
Share of results of associates		**18**	(350)
Gain on disposal of an associate		**(18)**	—
Gain on termination of a Structured Entity	29(b)	**(3,656)**	—
Operating cash flows before movements in working capital		**139,709**	67,311
Decrease (increase) in inventories		**1,206**	(281,278)
(Increase) decrease in trade and other receivables		**(114,632)**	29,813
Increase (decrease) in trade and other payables		**121,608**	(29,691)
Decrease (increase) in amount due from a fellow subsidiary		**34,303**	(34,303)
Cash generated from (used in) operations		**182,194**	(248,148)
Income tax paid		**(26,675)**	(10,529)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**155,519**	(258,677)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Purchase of intangible assets		**(12,338)**	(2,421)
Deposits paid on acquisition of property, plant and equipment		**(6,920)**	—
Purchase of property, plant and equipment		**(5,312)**	(1,321)
Acquisition of an associate		**(600)**	—
Advance to immediate holding company		**(190)**	(348)
Advance to a related company		**(30)**	—
Repayment from a related company		**4,446**	—
Interest received		**1,248**	240
Proceeds from termination of a Structured Entity	29(b)	**947**	—
Proceeds from disposal of an associate		**600**	—
Repayment from immediate holding company		**16**	324
Repayment from fellow subsidiaries		**—**	434,047
Proceeds from disposals of associates		**—**	40,197
Repayment from an associate		**—**	39,610
Advance to fellow subsidiaries		**—**	(154,848)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(18,133)**	355,480
FINANCING ACTIVITIES			
Proceeds from issue of shares		**65,795**	162,510
Advance from a related company		**60,032**	—
Advance from immediate holding company		**20,341**	43,932
Advance from fellow subsidiaries		**7,382**	317
Repayment to a related company		**(64,382)**	—
Repayment to immediate holding company		**(5,021)**	(2,572)
Repayment to a non-controlling shareholder of a subsidiary		**(4,236)**	—
Repayment to fellow subsidiaries		**(4,176)**	(192,124)
Proceeds from receipt in advance for issue of shares		**—**	7,164
NET CASH FROM FINANCING ACTIVITIES		**75,735**	19,227
NET INCREASE IN CASH AND CASH EQUIVALENTS		**213,121**	116,030
Net contribution from Longtianyong and FY Silver		**—**	3,720
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**124,901**	5,118
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(16)**	33
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**338,006**	124,901

1. GENERAL, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

General

CSMall Group Limited (the "Company") was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 19 January 2017. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") operate the business of design and sale of gold, silver and jewellery products in the PRC (the "Group's Business").

The immediate and ultimate holding company is China Silver Group, a public limited company incorporated in the Cayman Islands with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On 13 March 2018, the Company was spun-off by China Silver Group and listed on the Main Board of the Stock Exchange.

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

Group reorganisation and basis of preparation and presentation of consolidated financial statements

The business of Longtianyong and FY Silver that formed a part of the Group's Business

During the first three months of the year ended 31 December 2016, China Silver Group operated the Group's Business through its wholly owned subsidiaries, including subsidiaries of the Company as well as through Longtianyong and FY Silver.

Longtianyong is a key operating subsidiary of China Silver Group whose primary business is the production and sales of silver ingots and other non-ferrous metals in the PRC (the "Silver Ingot Manufacturing and Sales Business Unit"). During the first three months of the year ended 31 December 2016, Longtianyong had used some of the silver ingots it produced to manufacture the silver and jewellery products through external original equipment manufacturing ("OEM") contractors which it subsequently sold to Shenzhen Guoyintongbao, which further sold such products to external customers. These activities formed a part of the Group's Business. Longtianyong also sold silver and jewellery products to external customers.

During the first three months of the year ended 31 December 2016, FY Silver purchased silver and jewellery products from Shenzhen Guoyintongbao for sale to external customers and these activities also formed a part of the Group's Business.

The operations of Longtianyong and FY Silver described above that formed a part of the Group's Business are collectively defined as the "New Jewellery Retail Business Units".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Group reorganisation and basis of preparation and presentation of consolidated financial statements (continued)

The business of Longtianyong and FY Silver that formed a part of the Group's Business (continued)

Since April 2016, Longtianyong had ceased to produce silver products through external OEM contractors using silver ingots it produced. Instead, it sold silver ingots to 江西吉銀實業有限公司 ("Jiangxi Jiyin"), a subsidiary of the Company, which arranges external OEM contractors to apply the silver ingots sourced from Longtianyong to manufacture the silver as well as jewellery products that are then sold by Shenzhen Guoyintongbao to external customers. FY Silver ceased its business of selling silver and jewellery products in September 2016 and since then, all sales of silver and jewellery products are conducted by the Company and its subsidiaries. Neither Longtianyong nor FY Silver are members of the Group and they remain wholly-owned by China Silver Group.

In preparing for the initial listing of the shares of the Company on the Stock Exchange ("Listing"), the companies now comprising the Group underwent a series of reorganisation (the "Reorganisaiton") to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the companies now comprising the Group on 16 February 2017. Details of the Reorganisation are more fully explained in the section headed "History, Reorganisation and Group Structure" to the prospectus of the Company dated 28 February 2018.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The New Jewellery Retail Business Units have been under the common control of China Silver Group throughout the period presented. For the purpose of presenting the financial positions, financial results and cash flows of the Group, the New Jewellery Retail Business Units are deemed to be part of the Group for the year ended 31 December 2016.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2016 include the results, changes in equity and cash flows of the New Jewellery Retail Business Units and the existing entities comprising the Group as if the Group's Business including that previously under the New Jewellery Retail Business Units had been operated by the Group.

The consolidated statement of financial position of the Group as at 31 December 2016 have been prepared to present the assets and liabilities of the Group's Business, as if the current group structure had been in existence and the New Jewellery Retail Business Units had been with the Group on 31 December 2016.

The New Jewellery Retail Business Units were carried out by Longtianyong and FY Silver until April 2016 and September 2016, respectively, which then carried out by Jiangxi Jiyin and Shenzhen Guoyintongbao, respectively, in the Group. To the extent the assets, liabilities, income and expenses of the New Jewellery Retail Business Units that are specifically identified to the Group's Business, such items are included in the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

1. GENERAL, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Group reorganisation and basis of preparation and presentation of consolidated financial statements (continued)

The business of Longtianyong and FY Silver that formed a part of the Group's Business (continued)

To the extent the assets, liabilities, income and expenses that are common to the New Jewellery Retail Business Units and the Silver Ingot Manufacturing and Sales Business Unit of Longtianyong, these items are allocated between these two units on the basis set out below (such items include certain administrative expenses and income tax expense). Items that do not meet the criteria above are not included in the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

Expenses which are common to the New Jewellery Retail Business Units and the Silver Ingot Manufacturing and Sales Business Unit of Longtianyong are allocated on the following basis: (1) administrative expenses were allocated based on headcount of the New Jewellery Retail Business Units and the headcount of the Silver Ingot Manufacturing and Sales Business Unit; and (2) income tax expense was calculated based on the tax rate of the New Jewellery Retail Business Units as if they were separate tax payers.

The directors of the Company believe that the method of allocation of the above items presents a reasonable basis of estimating what the New Jewellery Retail Business Units operating results would have been on a stand-alone basis for the year ended 31 December 2016. Other than certain of the administrative expenses and income tax expense mentioned above, all other items of the assets, liabilities, income and expenses are specifically identified.

Prior to the completion of the Reorganisation, the treasury and cash disbursement functions of the New Jewellery Retail Business Units were centrally administrated by Longtianyong and FY Silver. All the transactions of the New Jewellery Retail Business Units were settled by Longtianyong and FY Silver and therefore, the net cash flows generated by such units were presented as net contribution from/return to Longtianyong and FY Silver in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

The International Accounting Standards Board ("IASB") has issued a number of amendments to IFRSs which are effective for the Group's financial year beginning on 1 January 2017. The Group has consistently applied all IFRSs issued by IASB which are effective for the Group's financial year beginning 1 January 2017.

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 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 - 2016 Cycle[1]
Amendments to IAS 40	Transfer of Investment Proeprty[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 - 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

Except for the new IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and revised IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

IFRS 9 "Financial Instruments"

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement:

- trade receivables carried at amortised cost as disclosed in Note 16: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

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

IFRS 9 "Financial Instruments" (continued)

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would not be materially different as compared to the accumulated amount recognised under IAS 39 as at 31 December 2017.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group had non-cancellable operating lease commitments of RMB15,284,000 as disclosed in Note 21. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits of RMB1,709,000 paid as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the consolidated entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the consolidated entities or businesses first came under the control of the controlling party.

The net assets of the consolidated entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the consolidated entities or businesses from the earliest date presented or since the date when the consolidated entities or businesses first came under the common control, where this is a shorter period.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

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

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal of the relevant associate.

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

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Deferred revenue

Receipts in advance from gift credits, where the relevant goods have not been delivered and titles have not been passed, are deferred and recognised as deferred revenue in the consolidated statement of financial position, and are recognised as revenue when the relevant goods are delivered and titles have passed as described in the above accounting policy for revenue from the sale of goods.

Deferred revenue in relation to the unused gift credits is recognised as revenue generated from the course of the ordinary activities of the Group upon the contractual expiry date of the relevant credit packages.

Gift credits granted to customers as part of a sales transaction are to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the gift credits and the other components of the sale. The amount allocated to the gift credits is determined by reference to their fair value and taking into account the proportion of gift credits that are not expected to be redeemed by customers, and is deferred until the credits are redeemed or the liability is otherwise extinguished.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the supply of goods, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownerships to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchanges differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group's contribution to the defined contribution retirement schemes are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from immediate holding company, amount due from a fellow subsidiary, amount due from a related party and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period ranging from 0 to 60 days and observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to immediate holding company, amounts due to fellow subsidiaries and amount due to a related company) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Consolidation of structured entity

PRC laws and regulations limit foreign ownership for enterprises engaging in value-added telecommunication business, the Group operates its own online sales platform by means of setting up a Structured Entity (as defined in Note 29(b)) through entering into Contractual Agreements (as defined in Note 29(b)).

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

Critical judgements in applying accounting policies (continued)

Consolidation of structured entity (continued)

The directors of the Company assessed whether or not the Group has control over the Structured Entity based on whether or not the Group has power to direct the relevant activities of Structured Entity unilaterally, rights to variable returns from its involvement, and has the ability to use its power to affect its returns. In making their judgement, the directors of the Company considered the terms of the Contractual Agreements as detailed in Note 29(b).

The directors of the Company, after consulting legal opinion, are of the view that the terms of the Contractual Arrangements (as defined in Note 29(b)) have in substance enabled the Group to exercise full control over and enjoy all economic benefits of the Structured Entity, despite the absence of formal legal equity interest held by the Group therein. Accordingly, the Structured Entity is accounted for as a consolidated structured entity of the Group.

In the opinion of the directors of the Company, with reference to opinion of legal counsel, the Contractual Arrangements are in compliance with existing PRC laws and regulations, valid, binding and enforceable, and do not result in any violation of PRC laws or regulations currently in effect in all material respects. However, uncertainties in the PRC legal system could cause the Group's current contractual arrangement structure to be found in violation of any existing and/or future PRC laws or regulations and could limit the Company's ability to enforce its rights under the Contractual Arrangements (as defined in Note 29(b)).

In August 2017, the Group lost the control over the Structured Entity following the termination of the Contractual Arrangements.

Revenue recognition on sales of first hand gold bars with tailor-made specification to a specific customer

The Group purchased first hand gold bars from a supplier to manufacture the tailor-made gold bars through external original equipment manufacturing contractors and subsequently sold to a specific customer through the Group's online platform. In determining whether the Group is acting as a principal or an agent, it requires judgement and consideration of all relevant facts and circumstances. The Group would be acting as a principal when it has exposure to the significant risks and rewards associated with the sales of goods. The management considers the key factors including the Group's primary responsibility for making the sales, the Group's exposure to inventory risks and the Group's latitude in establishing prices and concludes that the Group is acting as a principal. During the year, revenue generated from this customer was RMB1,488,385,000 (2016: Nil).

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are disclosed below.

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

Critical judgements in applying accounting policies (continued)

Allowance for inventories

Inventories are valued at the lower of cost and net realisable value. The management regularly reviews its inventory levels and ageing analysis in order to identify slow-moving inventories. The management estimates the net realisable value for slow-moving inventories based primarily on the current market conditions and subsequent selling price. The Group makes allowance for slow-moving inventory, when the Group identifies items of inventories which have a net realiable value that is lower than its carrying amount. As at 31 December 2017, the carrying amount of inventories was RMB342,783,000 (2016: RMB343,989,000), without any allowance recognised on inventories.

Estimated allowance for trade receivables

Management regularly reviews the recoverability of trade receivables. Allowance for these receivables is made based on evaluation of collectability and on management's judgement by reference to the estimation of the future cash flows discounted at an effective interest rate to calculate the present value. A considerable amount of judgement is required in assessing the ultimate realisation of these debtors, including their current creditworthiness. If the actual future cash flows are less than expected, allowance may be required. As at 31 December 2017, the carrying amount of trade receivables was RMB37,807,000 (2016: RMB56,761,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivables for gold, silver and jewellery products sold by the Group to external customers, less discounts. An analysis of the Group's revenue is as follows:

	2017 RMB'000	2016 RMB'000
Gold products	**2,744,536**	1,936,495
Silver products	**568,588**	503,303
Gem-set and other jewellery products	**206,457**	25,493
	3,519,581	2,465,291

The Group only has one operating and reportable segment. For the purposes of resource allocation and performance assessment, the senior management of the Group, being the chief operating decision maker ("CODM"), reviews the segment revenue and results prepared based on the same set of accounting policies as set out in Note 3.

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5. REVENUE AND SEGMENT INFORMATION (continued)

As detailed in Note 1, during the first three months of the year ended 31 December 2016, Longtianyong had used some of the silver ingots it produced to manufacture silver and jewellery products through external OEM contractors which it subsequently sold to Shenzhen Guoyintongbao, which further sold such products to external customers. Longtianyong also sold silver and jewellery products to external customers directly. With respect to these businesses conducted by Longtianyong during the first three months of the year ended 31 December 2016, the cost of silver ingots used for manufacturing silver and jewellery products was recorded at its historical cost of production in accordance with IFRSs. However, when the CODM assesses the performance of the Group, the CODM has accounted for the cost of silver ingots with reference to the published market price of sliver ingot at 上海華通鉑銀交易市場有限公司 ("Shanghai Huatong") at the respective dates of transfer of sliver ingots to external OEM contractors (the "Selected Reference Price").

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Segment revenue – external sales	**3,519,581**	2,465,291
Cost of sales	**(3,268,296)**	(2,318,714)
Gross profit	**251,285**	146,577
Other income, gains and losses	**(59)**	6,147
Selling and distribution expenses	**(41,726)**	(43,398)
Administrative expenses	**(51,339)**	(44,136)
Share of results of associates	**(18)**	350
Listing expenses	**(18,645)**	(3,802)
Profit before tax	**139,498**	61,738
Income tax expense	**(38,557)**	(13,678)
Segment profit for the year	**100,941**	48,060

Reconciliation of the Group's reportable segment profit to the profit for the year:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Segment profit for the year	**100,941**	48,060
Adjustments to cost of silver ingots (Note)	**—**	2,938
Adjustments to income tax expense (Note)	**—**	(734)
Profit for the year	**100,941**	50,264

5. REVENUE AND SEGMENT INFORMATION (continued)

Note: The adjustments represented the difference between the historical cost of production incurred by Longtianyong in accordance with IFRSs and the Selected Reference Price as reconciled below, and the corresponding effect on income tax expense.

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Longtianyong's cost of silver ingots at the Selected Reference Price	**N/A**	44,688
Adjustments to cost of silver ingots	**N/A**	(2,938)
Longtianyong's cost of silver ingots at its historical cost of production	**N/A**	41,750

As no discrete financial information in respect of the Group's assets and liabilities is provided to the CODM, no segment assets and liabilities information is presented accordingly, other than entity-wide disclosures disclosed below.

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.

Information about major customers

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

	2017 **RMB'000**	2016 RMB'000
Customer A (Note)	**1,488,385**	N/A

Note: Amount represented revenue from sales of first hand gold bars with tailor-made specification to Customer A through the Group's online platform. The Group did not have any revenue generated from Customer A in 2016.

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For the year ended 31 December 2017

6. OTHER INCOME, GAINS AND LOSSES

	2017 RMB'000	2016 RMB'000
Service income in respect of software system and development	—	3,594
Government grant (Note)	432	2,001
Bank interest income	1,248	240
Gain on disposal of an associate (Note 14)	18	—
Gain on termination of a Structured Entity (Note 29(b))	3,656	—
Net exchange (loss) gain	(5,332)	22
Others	(81)	290
	(59)	6,147

Note: Government grant was received from the local government of the PRC as incentive for foreign capital injection by the Group. There is no specified condition attached to the grant.

7. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
PRC Enterprise Income Tax ("EIT")		
– current year	39,370	14,412
– overprovision in respect of prior years	(813)	—
	38,557	14,412

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 and the New Jewellery Business Units are subject to the PRC EIT at the statutory rate of 25% for both years, except that Longtianyong was recognised as a High and New Technology Enterprise by the PRC tax authorities on 25 March 2014 such that it was entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2013 to 2015 and was subject to review once every three years. For the year ended 31 December 2016, Longtianyong adopted 25% as the tax rate as it had applied for the renewal but the review had not been completed. During the year ended 31 December 2017, the review has been completed such that Longtiangyong was entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2016 and therefore an overprovision of RMB813,000 has been recongised during the year ended 31 December 2017.

7. INCOME TAX EXPENSE (continued)

The PRC EIT of the Group's Business carried out by Longtianyong and FY Silver is estimated by treating the New Jewellery Retail Business Units as a separate tax payer using the tax rate of these companies prior to the Reorganisation.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 RMB'000	2016 RMB'000
Profit before tax	139,498	64,676
Tax at the domestic income tax rate of 25%	34,875	16,169
Tax effect of expenses not deductible for tax purpose	6,194	4,004
Tax effect of income not taxable for tax purpose	(915)	—
Tax effect of share of results of associates	5	(88)
Tax effect of tax losses not recognised	1,242	—
Utilisation of tax losses previously not recognised	(2,031)	(5,673)
Overprovision in respect of prior years	(813)	—
Tax charge for the year	38,557	14,412

As at 31 December 2017, the Group had unused tax losses of RMB4,969,000 (2016: RMB8,124,000), that are available to offset against future profits and will expire in various dates in the next five years. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends payable to non-PRC shareholders which is declared in respect of profits earned by the PRC subsidiaries. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB141,130,000 as at 31 December 2017 (2016: RMB33,514,000) 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.

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8. PROFIT FOR THE YEAR

	2017 RMB'000	2016 RMB'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (Note 10)	**951**	934
Other staff costs:		
– salaries and other allowances	**31,131**	26,433
– retirement benefits scheme contributions	**4,187**	1,960
Total staff costs	**36,269**	29,327
Auditor's remuneration	**1,211**	—
Amortisation of intangible assets (included in selling and distribution expenses)	**2,747**	1,089
Cost of inventories recognised as an expense	**3,268,296**	2,315,776
Depreciation of property, plant and equipment	**2,368**	2,136
Operating lease rental in respect of offices and warehouses	**6,773**	6,839

9. DIVIDEND

No dividends were paid or proposed for shareholders of the Company during the current year, nor has any dividend been proposed since the end of the reporting period.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Executive directors

Details of the emoluments paid or payable to the directors of the Company during the year are as follows:

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2017				
Executive directors				
Mr. Chen He	—	120	11	131
Mr. Zhang Jinpeng	—	665	24	689
Mr. Qian Pengcheng	—	120	11	131
	—	905	46	951
For the year ended 31 December 2016				
Executive directors				
Mr. Chen He	—	120	9	129
Mr. Zhang Jinpeng	—	660	16	676
Mr. Qian Pengcheng	—	120	9	129
	—	900	34	934

The emoluments of the directors shown above are for their services as directors and employees in connection with the management of the affairs of the Group during both years.

Mr. Chen He was appointed as an executive director, co-chief executive officer and the chairman of the Company on 8 February 2017. Mr. Zhang Jinpeng was appointed as an executive director and co-chief executive officer of the Company on 8 February 2017. Mr. Qian Pengcheng was appointed as an executive director of the Company on 8 February 2017.

No emoluments were paid or payable during both years to Mr. Fu Lui, Mr. Hu Qilin and Mr. Zhang Zuhui, who were appointed as independent non-executive directors of the Company on 13 February 2018.

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For the year ended 31 December 2017

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Five highest paid employees

The Group's five highest paid individuals for the year ended 31 December 2017 included one (2016: two) director of the Company. The emoluments of the remaining four (2016: three) individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other allowances	1,236	1,368
Retirement benefits scheme contributions	89	47
	1,325	1,415

Their emoluments were within the following bands:

	2017 Number of employees	2016 Number of employees
Not exceeding HK$1,000,000	4	3

During the years ended 31 December 2016 and 2017, no emoluments were paid by the Group to any of the directors, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors waived or agreed to waive any emolument during both years.

11. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares on the assumption that the Reorganisation had been effective on 1 January 2016 as follows:

	2017	2016
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share (RMB'000)	101,305	50,264
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	828,838	582,296
Basic earnings per share (RMB)	0.12	0.09

No diluted earnings per share was presented as there were no potential ordinary shares in issue for both years.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST					
At 1 January 2016	4,597	6,150	348	3,520	14,615
Additions	—	—	689	632	1,321
Derecognition (Note)	(4,597)	—	—	—	(4,597)
At 31 December 2016	—	6,150	1,037	4,152	11,339
Additions	—	3,000	905	1,407	5,312
At 31 December 2017	—	9,150	1,942	5,559	16,651
DEPRECIATION					
At 1 January 2016	436	718	94	679	1,927
Provided for the year	55	1,230	131	720	2,136
Eliminated on derecognition	(491)	—	—	—	(491)
At 31 December 2016	—	1,948	225	1,399	3,572
Provided for the year	—	1,278	284	806	2,368
At 31 December 2017	—	3,226	509	2,205	5,940
CARRYING VALUES					
At 31 December 2017	—	5,924	1,433	3,354	10,711
At 31 December 2016	—	4,202	812	2,753	7,767

The above items of property, plant and equipment, after taking into account their estimated residual value, are depreciated on a straight-line basis, at the following rates per annum:

Buildings	Over 20 years or the term of the relevant land lease, whichever is shorter
Leasehold improvements	20%
Office equipment	20%
Motor vehicles	20%

Note: The amount was derecognised since April 2016 at net book value as the buildings, which were owned by Longtianyong, was no longer used by the Group since April 2016.

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13. INTANGIBLE ASSETS

	System software RMB'000
COST	
At 1 January 2016	3,046
Additions	2,421
At 31 December 2016	5,467
Additions	12,338
Termination of a Structured Entity (Note 29(b))	(9,559)
At 31 December 2017	8,246
AMORTISATION	
At 1 January 2016	538
Provided for the year	1,089
At 31 December 2016	1,627
Provided for the year	2,747
Eliminated on termination of a Structured Entity (Note 29(b))	(479)
At 31 December 2017	3,895
CARRYING VALUES	
At 31 December 2017	4,351
At 31 December 2016	3,840

The system software is amortised on a straight-line basis over its estimated useful life of 3 to 10 years.

14. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Interests in associates		
Cost of unlisted investments	—	—
Share of post-acquisition results	—	—
	—	—

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Place of establishment/ operation	Registered capital	Proportion of nominal value of issued capital held by the Group 2017	2016	Principal activities
深圳市大溪地科技有限公司 ("Shenzhen Daxidi")	The PRC	RMB6,000,000	N/A	N/A (Note i)	Inactive
Shanghai Huatong	The PRC	RMB50,000,000	N/A	N/A (Note ii)	Provision of professional electronic platform,related services for silver trading, and trading of silver ingots
永豐縣通盛小額貸款股份有限公司("Tongsheng")	The PRC	RMB100,000,000	N/A (Note iii)	N/A	Provision of money lending business

Notes:

(i) During the year ended 31 December 2016, 深圳銀瑞吉文化發展有限公司 ("Shenzhen Yinruiji") disposed of its 30% equity interest in Shenzhen Daxidi to an independent third party at a consideration of RMB197,000 which approximates the carrying amount of the interests in associates. No gain or loss is recognised accordingly.

(ii) 25% equity interest of Shanghai Huatong was acquired from two independent third parties at a total consideration of RMB40 million in July 2015. During the year ended 31 December 2016, Shenzhen Yinruiji disposed of its 25% equity interest in Shanghai Huatong to China Silver Group for a consideration of RMB40 million. Loss on disposal of the associate of RMB753,000 was recognised in the contribution reserve as deemed distribution.

(iii) During the year ended 31 December 2017, the Group acquired 20% equity interest in Tongsheng at a consideration of RMB600,000 which has been fully paid by the Group. The principal asset of Tongsheng is a money lending license. Subsequently in August 2017, the Group disposed of its 20% equity interest in Tongsheng to an independent third party at a consideration of RMB600,000. A gain on disposal of an associate of RMB18,000 was recognised in profit or loss.

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14. INTERESTS IN ASSOCIATES (continued)

The summarised financial information below represents amount shown in the associates' financial statements prepared in accordance with IFRSs.

All of the above associates are accounted for using equity method in these consolidated financial statements.

	For the year ended 31 December 2017	For the year ended 31 December 2016		
	Tongsheng	Shenzhen Daxidi	Shanghai Huatong	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	12	—	25,349	25,349
(Loss) profit and total comprehensive (expense) income for the year	(89)	—	1,397	1,397

15. INVENTORIES

	2017 RMB'000	2016 RMB'000
Finished goods	342,783	343,989

16. TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	37,807	56,761
Deposits and prepayments	44,936	68,364
Deferred and prepaid listing costs	4,219	1,267
Trade deposits (Note)	115,000	—
Total trade and other receivables	201,962	126,392

Note: The amounts represent trade deposits paid to suppliers.

16. TRADE AND OTHER RECEIVABLES (continued)

The Group does not grant any credit period to its retail customers and generally grants its corporate customers a credit period ranging from 0 to 60 days and requires advance deposits from its customers before delivery of goods.

The ageing analysis of the Group's trade receivables based on invoice date at the end of the reporting period is as follows:

	2017 RMB'000	2016 RMB'000
0 - 30 days	**33,987**	53,013
31 - 60 days	**1,033**	3,237
61 - 90 days	**1,819**	511
Over 90 days	**968**	—
	37,807	56,761

Included in the Group's trade receivables amounting to RMB4,592,000 (2016: RMB3,748,000) 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

	2017 RMB'000	2016 RMB'000
0 - 30 days	**3,245**	3,237
31 - 60 days	**702**	511
61 - 90 days	**476**	—
Over 90 days	**169**	—
	4,592	3,748

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 did not hold any collateral over the above balances. The directors of the Company considered that no impairment loss was necessary in view of the financial background of these customers and their subsequent repayments.

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17. AMOUNT(S) DUE FROM (TO) IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/A RELATED COMPANY

At 31 December 2016, amount due from a fellow subsidiary of RMB34,303,000 (2017: Nil) represented trade deposits paid. The remaining balances of amounts due from/to immediate holding company and fellow subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

Subsequent to 31 December 2017, part of the amount due to immediate holding company as at 31 December 2017 was settled by allotting and issuing 27,070,010 new shares to China Silver Group upon Listing and the remaining outstanding amount was capitalised as contribution reserve. At the date of issuance of these financial statements, all the other outstanding amounts with fellow subsidiaries as at 31 December 2017 were settled.

Amounts due from (to) a related company represent amount due from (to) 江西金貓銀貓支付有限公司 ("Jiangxi CSMall Payment"). Jiangxi CSMall Payment is a wholly owned subsidiary of Shenzhen Yinruiji, which is controlled by Mr. Chen He and Mr. Qian Pengcheng, executive directors of the Company, following the termination of the Contractual Arrangements on 22 August 2017 as detailed in Note 29(b). The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

18. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market interest rates ranging from 0.001% to 0.380% per annum for both years.

The Group's bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2017 RMB'000	2016 RMB'000
Hong Kong dollar ("HK$")	4	48
United States dollar ("US$")	3	7,546
	7	7,594

As at 31 December 2017, the bank balances and cash of the Group denominated in RMB amounted to RMB337,999,000 (2016: RMB117,307,000). The conversion of RMB denominated bank balances and cash into foreign currencies and the remittance of such foreign currencies denominated balances out of the PRC are subject to the relevant rules and regulations of foreign exchange control by the government authorities concerned.

19. TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**134,569**	6,617
Accrued listing costs	**9,081**	4,556
Other payables and accrued expenses	**11,899**	14,529
Receipt in advance for issue of shares	**—**	7,164
Customer receipts in advance (Note)	**2,249**	7,075
Value-added tax and other taxes payables	**457**	10,977
Total trade and other payables	**158,255**	50,918

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

During the year ended 31 December 2017, the Group launches a gift credits initiative. Sales of gift credits and goods that resulted in granting gift credits constitute multiple element revenue transactions and the fair value of the consideration received or receivable should be allocated between the goods supplied and the gift credits granted. The consideration allocated to the gift credits is to be measured by reference to the fair value of the gift credits for which they could be redeemed and such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the gift credits expired or are redeemed and the Group's obligations have been fulfilled.

The management of the Group has, for simplicity, decided not to defer the recognition of revenue in relation to gift credits since the fair value of the gift credits outstanding at 31 December 2017 amounted to RMB32,000 is considered to be insignificant. In August 2017, the Group has ceased to grant further gift credits from selling the goods.

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
0 - 30 days	**121,015**	6,617
61 - 90 days	**13,143**	—
Over 90 days	**411**	—
	134,569	6,617

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

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20. SHARE CAPITAL

The issued share capital and paid-in capital of the Group at 1 January 2016 represented the aggregate of the share capital of China Silver Jewellery Group Limited ("China Silver Jewellery") and CSMall Holdings Limited ("CSMall Holdings BVI") as well as the paid-in capital of Shenzhen Guoyintongbao. The issued share capital of the Group at 31 December 2016 represented the share capital of CSMall Group BVI. The issued share capital of the Group at 31 December 2017 represented the share capital of the Company.

During the year ended 31 December 2016, CSMall Group BVI issued and allotted a total of 500,000,000 shares to China Silver Group with a total consideration of RMB330,000. CSMall Group BVI further issued and allotted a total of 274,334,000 shares to Blaze Loop Limited ("Blaze Loop"), Treasure Delight International Limited ("Treasure Delight"), Silver Apex Holdings Limited ("Silver Apex") and Caitong Funds SPC ("Caitong"), with a total consideration of RMB162,179,000. The excess of the total consideration of RMB162,510,000 over the nominal value of the shares of CSMall Group BVI of RMB516,000 is recorded in other reserve.

Blaze Loop, Treasure Delight and Silver Apex are related parties of the Company. The sole shareholder of Blaze Loop is Mr. Lin Ting, an employee of the Group, who holds CSMall Group BVI shares for and on behalf of all the employees of the Group other than Mr. Chen He and Mr. Qian Pengcheng, directors of the Company. The sole shareholder of Silver Apex and Treasure Delight are Mr. Chen He and Mr. Qian Pengcheng, directors of the Company, respectively. Caitong is an independent third party.

Following the completion of the acquisition of subsidiaries by CSMall Group BVI as part of the Reorganisation during 2016 as detailed in the section headed "History, Reorganisation and Group Structure" to the prospectus of the Company dated 28 February 2018, the share capital of the Group was then decreased from RMB120,332,000 to RMB516,000, being the share capital of CSMall Group BVI.

On 19 January 2017, the Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability with an authorised share capital of US$300,000 divided into 3,000,000,000 shares with nominal value of US$0.0001 each. Upon its incorporation, 1 share of US$0.0001 was allocated and issued to a nominee subscriber.

On 23 January 2017, CSMall Group BVI further issued and allotted a total of 58,000,000 shares to Best Conduct Investment Limited, an independent third party, with a total consideration of RMB72,959,000. The excess of the total consideration of RMB72,959,000 over the nominal value of the shares of the Company of RMB399,000 is recorded in other reserve.

On 8 February 2017, the sole share issued at the time of incorporation of the Company was transferred to China Silver Group.

On 16 February 2017, the Company allotted and issued a total of 832,333,999 shares to the shareholders of CSMall Group BVI in consideration for transferring all of their 832,334,000 shares in CSMall Group BVI to the Company.

20. SHARE CAPITAL (continued)

The share capital as at 31 December 2017 represents the issued share capital of the Company, details of which are set out below:

	Number of shares	Share capital	
		US$	RMB'000
Ordinary share of US$0.0001 each:			
Authorised			
At 19 January 2017 (date of incorporation) and 31 December 2017	3,000,000,000	300,000	2,062
Issued			
At 19 January 2017 (date of incorporation)	1	—	—
Issue of shares	832,333,999	83,233	572
At 31 December 2017	832,334,000	83,233	572

21. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises, showrooms, warehouses and retail shops which fall due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	7,325	4,660
In the second year to fifth years inclusive	7,959	1,296
	15,284	5,956

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

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22. CAPITAL COMMITMENTS

	2017 RMB'000	2016 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,173**	—

23. RETIREMENT BENEFIT PLANS

The Group participates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. No forfeited contribution is available to reduce the contribution payable in future years.

The total expenses recognised in profit or loss of RMB4,233,000 (2016: RMB1,994,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

24. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the companies comprising the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of net debt, which includes amount due to immediate holding company, amounts due to fellow subsidiaries and amount due to a related company, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital/paid-in capital and various reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital, and will take appropriate actions to balance its overall capital structure.

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**376,365**	216,313
Financial liabilities		
Amortised cost	**539,810**	391,087

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, amount due from immediate holding company, amount due from a fellow subsidiary, amount due from a related company, bank balances and cash, trade and other payables, amount due to immediate holding company, amounts due to fellow subsidiaries and amount due to a related company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities that are denominated in currencies other than the functional currency at the end of the reporting period are as follows:

	Assets		Liabilities	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
HK$	**4**	48	**217,340**	236,098
US$	**3**	7,546	**53,386**	47,455
	7	7,594	**270,726**	283,553

The Group currently does not have a foreign currency hedging policy. However, the management of the Company will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

25. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in the relevant foreign currencies against RMB. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit where the relevant foreign currency strengthens 5% (2016: 5%) against RMB. For a 5% (2016: 5%) weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the post-tax profit.

	HK$		US$	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Post-tax profit	**(8,150)**	(8,852)	**(2,002)**	(1,497)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

Sensitivity analysis

No sensitivity analysis is presented since the directors of the Company consider the exposure of cash flow interest rate risk arising from variable-rate bank balances is limited due to their short maturities.

25. FINANCIAL INSTRUMENTS (continued)

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

Credit risk

At the end of the reporting period, the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position best represent the Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties.

The Group has concentration of credit risk in relation to its trade receivables as follows:

	2017 RMB'000	2016 RMB'000
Amount due from the largest debtor as a percentage to total trade receivables	**22%**	35%
Total amount due from the five largest debtors as a percentage to total trade receivables	**56%**	67%

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigates the effects of fluctuations in cash flows. All the financial liabilities at the end of the reporting period are non-interest bearing and payable on demand or less than three months.

(c) Fair value measurements of financial instruments

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The fair values of these financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

26. MAJOR NON-CASH TRANSACTIONS

All the transactions of the New Jewellery Retail Business Units were settled by Longtianyong and FY Silver prior to April 2016 and September 2016, respectively. The funds provided by or withdrawn from Longtianyong and FY Silver were presented as movements in the contribution reserve as set out in the consolidated statement of changes in equity.

During the year ended 31 December 2016, the Group had the following major non-cash transactions:

(a) The consideration for the acquisition of certain subsidiaries acquired by China Silver Jewellery pursuant to the Reorganisation of RMB120,332,000 was settled through current account with immediate holding company.

(b) The proceeds from derecognition of property, plant and equipment of RMB4,106,000 (Note 12) was included in the contribution reserve as distribution by Longtianyong.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to immediate holding company RMB'000	Amounts due to fellow subsidiaries RMB'000	Amount due to a related company RMB'000	Advance from a non-controlling shareholder of a subsidiary (included in other payables) RMB'000	Total RMB'000
At 1 January 2016	203,216	192,284	—	4,236	399,736
Financing cash flows	41,360	(191,807)	—	—	(150,447)
Non-cash changes					
Reorganisation (Note 26(a))	120,332	—	—	—	120,332
At 31 December 2016	364,908	477	—	4,236	369,621
Financing cash flows	15,320	3,206	(4,350)	(4,236)	9,940
Non-cash changes					
Termination of a Structured Entity (Note 29 (b))	—	(410)	5,110	—	4,700
At 31 December 2017	380,228	3,273	760	—	384,261

28. RELATED PARTY DISCLOSURES

(a) During the year, the Group entered into the following significant transactions with related parties:

Name of related parties	Relationship	Nature of transactions	2017 RMB'000	2016 RMB'000
Shanghai Huatong	Subsidiary of China Silver Group	Sale of jewellery products	**162**	—
Longtianyong	Subsidiary of China Silver Group	Rental expense	**150**	138
Longtiangyong	Subsidiary of China Silver Group	Purchase of silver ingots (Note)	**373,303**	278,959
Mr. Chen He	Director	Proceeds from termination of a Structured Entity (Note 29(b))	**800**	—
Mr. Quan Pengcheng	Director	Proceeds from termination of a Structured Entity (Note 29(b))	**200**	—

Note: Prior to April 2016, the sourcing of raw materials from external independent suppliers for the manufacturing and sales of silver ingots is conducted by Longtianyong. Longtianyong had used some of the silver ingots it produced to manufacture silver and jewellery products through external OEM contractors, which it subsequently sold to Shenzhen Guoyintongbao, which further sold such products to external customers. Longtianyong also sold silver and jewellery products to external customers directly. With respect to these businesses conducted by Longtianyong prior to April 2016, which also formed a part of the Group's Business, Longtianyong's cost of silver ingots used for manufacturing silver and jewellery products was recorded at its historical cost of production in the consolidated financial statements in accordance with IFRSs.

Since April 2016, the Group purchased silver ingots directly from Longtianyong at the prevailing market rates and the Group will continue to purchase silver ingots from Longtianyong in this manner. The figures disclosed above represent the purchase cost of silver ingots used in the production of the Group since April 2016. Longtianyong is not a member of the Group and remains wholly-owned by China Silver Group upon completion of the Reorganisation.

(b) Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in Note 17.

(c) At 31 December 2017, included in trade and other payables of RMB10,000 was amount due to a director. The amount was non-trade in nature, unsecured, interest-free and repayable on demand.

(d) At 31 December 2016, included in trade and other payables of RMB4,236,000 was amount due to a non-controlling shareholder of a subsidiary. The amount was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully repaid before the termination of a Structured Entity as defined in Note 29(b).

(e) Compensation of key management personnel

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

	2017 RMB'000	2016 RMB'000
Salaries and other allowances	**1,313**	2,050
Retirement benefits schemes contributions	**63**	80
	1,376	2,130

The remuneration of directors to the Company and key management personnel of the Group is determined with regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

29. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company 2017	Attributable equity interest held by the Company 2016	Principal activities	Form of company
Directly owned						
CSMall Group BVI 金貓銀貓集團有限公司	The BVI	Ordinary Shares US$83,233	**100%**	100%	Investment holding	Limited liability
CSMall Holdings BVI 金貓銀貓控股有限公司	The BVI	Ordinary shares US$50,000	**100%**	100%	Investment holding	Limited liability
Indirectly owned						
China Silver Jewellery 中國白銀珠寶集團有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Investment holding	Limited liability
Jiangxi Jiyin	The PRC	Registered capital US$99,800,000	**100%**	100%	Processing and wholesale of precious metal products	Wholly foreign owned
深圳國金通寶有限公司	The PRC	Registered capital RMB50,000,000^	**100%**	100%	Sales of jewellery products#	Limited liability
Shenzhen Guoyintongbao	The PRC	Registered capital RMB500,000,000	**100%**	100%	Offline sale of jewellery products and operation of self-owned stores	Wholly foreign owned
Shenzhen Yinruiji	The PRC	Registered capital RMB1,000,000	**N/A**	100% (Note b)	Online sales platform	Limited liability
Jiangxi CSMall Payment	The PRC	Registered capital RMB108,000,000	**N/A (Note b)**	55%	Operation of online payment system#	Limited liability
深圳雲鵬軟件開發有限公司	The PRC	Registered capital RMB5,000,000^	**100%**	100%	Software development	Limited liability
景寧畲银文化有限公司	The PRC	Registered capital RMB10,000,000^	**100%**	100%	Planning of cultural events, design and sale of jewellery products	Limited liability
白銀小鎮(上海)文化產業有限公司("Baiyin Town")	The PRC	Registered capital RMB100,000,000^	**100%**	100%	Online sales of jewellery products#	Limited liability
浙江金貓銀貓珠寶首飾有限公司	The PRC	Registered capital RMB10,000,000^	**100%**	N/A	Sales of jewellery products#	Limited liability

not yet commence business

^ At 31 December 2017, capital injection to the entity had not been made

29. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

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

(b) Consolidated structured entity

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

During the year ended 31 December 2014, Shenzhen Guoyintongbao decided to step into online retailing and wholesaling business and set up its own online sales platform which is categorised under the Restricted Business. Therefore, Shenzhen Yinruiji (the "Structured Entity") was established and under the legal ownership of two independent third parties. A series of agreements (the "Contractual Arrangements") were entered into between Shenzhen Guoyintongbao and the legal owners on 20 May 2014.

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

Option Agreement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

29. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

(b) Consolidated structured entity (continued)

Proxy Agreement

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

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

Consultancy and Services Agreement

Shenzhen Guoyintongbao and the Structured Entity entered into an exclusive consultancy and services agreement ("Consultancy and Services Agreement") whereby the Structured Entity engages Shenzhen Guoyintongbao on an exclusive basis to provide consultancy services in relation to technology approval (技術審批), technology support, technology consultation and other related corporate consultation services.

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

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

Share Pledge Agreement

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

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

29. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

(b) Consolidated structured entity (continued)

Share Pledge Agreement (continued)

The directors of the Company, after consulting their legal counsel, are of the view that the Contractual Arrangements are in compliance with existing PRC laws and regulations and are valid, binding and enforceable, and do not result in any violation of PRC laws or regulations currently in effect in all material aspects. The Contractual Arrangements have in substance enabled Shenzhen Guoyintongbao to exercise full control over and enjoy all economic benefits of the Structured Entity despite the absence of formal legal equity interest held by Shenzhen Guoyintongbao therein and the legal owners are, in substance, the nominees of Shenzhen Guoyintongbao. Accordingly, the Structured Entity is accounted for as a consolidated structured entity of the Group.

The principal business of the Structured Entity is operation of online sales platform in the PRC and did not contribute significant income, expenses, assets and liabilities to the Group during both year.

In addition, the Structured Entity has entered into agreements with three other parties to set up Shenzhen Daxidi in the PRC. The Structured Entity owns 30% interest in Shenzhen Daxidi and represents the largest shareholder amongst all the shareholders. The directors assessed whether or not the Group has significant influence over Shenzhen Daxidi based on the voting rights of respective shareholders and the Group's ability to influence the relevant activities of Shenzhen Daxidi which are determined at the level of its shareholders' meetings and concluded that the Group had significant influence over Shenzhen Daxidi. During the year ended 31 December 2016, Shenzhen Daxidi was disposed of to an independent third party at a consideration of RMB197,000.

On 31 July 2017, Baiyin Town, a subsidiary of the Group, obtained approval for the Value-Added Telecommunications Business License (增值電信業務許可證), allowing Baiyin Town to provide online data processing and transaction processing services (operating e-commerce) which in turn, enables the Group to operate the online jewellery retail business through Baiyin Town without the contractual arrangement structure. In view of these developments, the parties to the Contractual Agreements have entered into a termination agreement to unwind the contractual arrangement structure on 9 August 2017 and the Contractual Arrangements have been terminated and unwound on 22 August 2017. Since then, the Group lost its control over Shenzhen Yinruiji, which ceased to be a consolidated structured entity of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

29. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

(b) Consolidated structured entity (continued)

Share Pledge Agreement (continued)

Analysis of assets and liabilities of Shenzhen Yinruiji and its subsidiary over which control was lost:

	RMB'000
Intangible assets	9,080
Trade and other receivables	39,062
Amount due from the Group	5,110
Bank balances and cash	53
Trade and other payables	(2,871)
Amount due to the Group	(4,446)
Amount due to a fellow subsidiary	(410)
Net assets	45,578
Less: Non-controlling interests	(48,234)
Net liabilities disposed of	(2,656)
Gain on termination of a structured entity	
Consideration received	1,000
Net liabilities disposed of	2,656
	3,656
Net cash inflow arising from termination of a structured entity	
Cash consideration received	1,000
Less: Bank balances and cash disposed of	(53)
	947

29. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

(c) Details of non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2017	31.12.2016	31.12.2017 RMB'000	31.12.2016 RMB'000	31.12.2017 RMB'000	31.12.2016 RMB'000
CSMall - 江西金貓銀貓支付有限公司	The PRC	N/A (Note)	45%	364	—	N/A (Note)	48,598

Note: On 22 August 2017, with the termination and unwind of the Contractual Agreements as detailed in Note 29(b), Jiangxi CSMall Payment ceased to be a non-wholly owned subsidiary of the Group that has material non-controlling interests.

Summarised financial information for the year ended 31 December 2016 in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31 December 2016 RMB'000
Current assets	112,536
Non-current asset	—
Current liabilities	(4,540)
Equity attributable to owners of the Company	107,996
Non-controlling interests	48,598
Net cash outflow from operating activities	(3,259)
Net cash inflow from investing activities	2,840
Net cash inflow from financing activities	310
Net cash outflow	(109)

No summarised financial information about the profit or loss of the subsidiary are presented since the directors of the Company consider the amounts are not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2017 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	(i)	233,534
CURRENT ASSETS		
Deferred and prepaid listing costs		4,219
Amount due from a subsidiary		2,962
		7,181
CURRENT LIABILITIES		
Other payables and accrued listing costs		11,555
Amount due to immediate holding company		500
Amount due to a fellow subsidiary		105
Amount due to a subsidiary		16,121
		28,281
NET CURRENT LIABILITIES		(21,100)
NET ASSETS		212,434
CAPITAL AND RESERVES		
Share capital		572
Reserves	(ii)	211,862
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		212,434

Notes:

(i) Amount represents the net assets value of CSMall Group BVI at the date of acquisition by the Company pursuant to the Reorganisation as detailed in Note 1.

(ii) The movements in the reserves of the Company are as follows:

	Share premium RMB'000	Accumulated losses RMB'000	Total reserves RMB'000
At 19 January 2017 (date of incorporation)	—	—	—
Issue of shares	232,962	—	232,962
Loss and total comprehensive expense for the period	—	(21,100)	(21,100)
At 31 December 2017	232,962	(21,100)	211,862

31. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2017, the following significant events took place:

(i) On 13 March 2018, the Company successfully listed on the Main Board of the Stock Exchange.

(ii) On 13 March 2018, the Company issued a total of 194,183,990 ordinary shares of US$0.0001 each at HK$2.38 each for cash by way of public offer. Based on the Offer Price of HK$2.38 per share, the gross proceeds received by the Company is approximately HK$462 million.

(iii) Upon listing of the Company's shares on 13 March 2018 and pursuant to the resolutions of the shareholders passed on 13 February 2018 and 21 February 2018, 27,070,010 new shares were allotted and issued to China Silver Group to settle part of the amount due to immediate holding company and the remaining outstanding amount of RMB315,802,000 were capitalised as contribution reserve. All of these new shares were distributed to the qualifying shareholders of China Silver Group in proportion to their shareholding as of 26 February 2018, except for fractional entitlements of such qualifying shareholders (totalling 33 shares) which have been retained by China Silver Group.

FOUR YEARS' FINANCIAL SUMMARY

RESULTS

	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000
Revenue	291,218	835,345	2,465,291	**3,519,581**
Profit before tax	47,403	41,851	64,676	**139,498**
Income tax expense	(9,894)	(8,897)	(14,412)	**(38,557)**
Profit for the year	37,509	32,954	50,264	**100,941**
Attributable to				
– Owners of the Company	37,509	32,956	50,264	**101,305**
– Non-controlling interests	—	(2)	—	**(364)**
	37,509	32,954	50,264	**100,941**

ASSETS AND LIABILITIES

	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000
Total assets	94,745	596,080	641,540	**905,285**
Total liabilities	(77,685)	(468,945)	(420,186)	**(559,094)**
Total equity	17,060	127,135	221,354	**346,191**
Equity attributable to owners of the Company	17,060	78,537	172,756	**346,191**
Non-controlling interests	—	48,598	48,598	**—**
	17,060	127,135	221,354	**346,191**

Note: Four year's financial summary is presented as the Company was newly listed on 13 March 2018 and it is not practicable for the Company to present the financial summary of the Group prior to 2014.