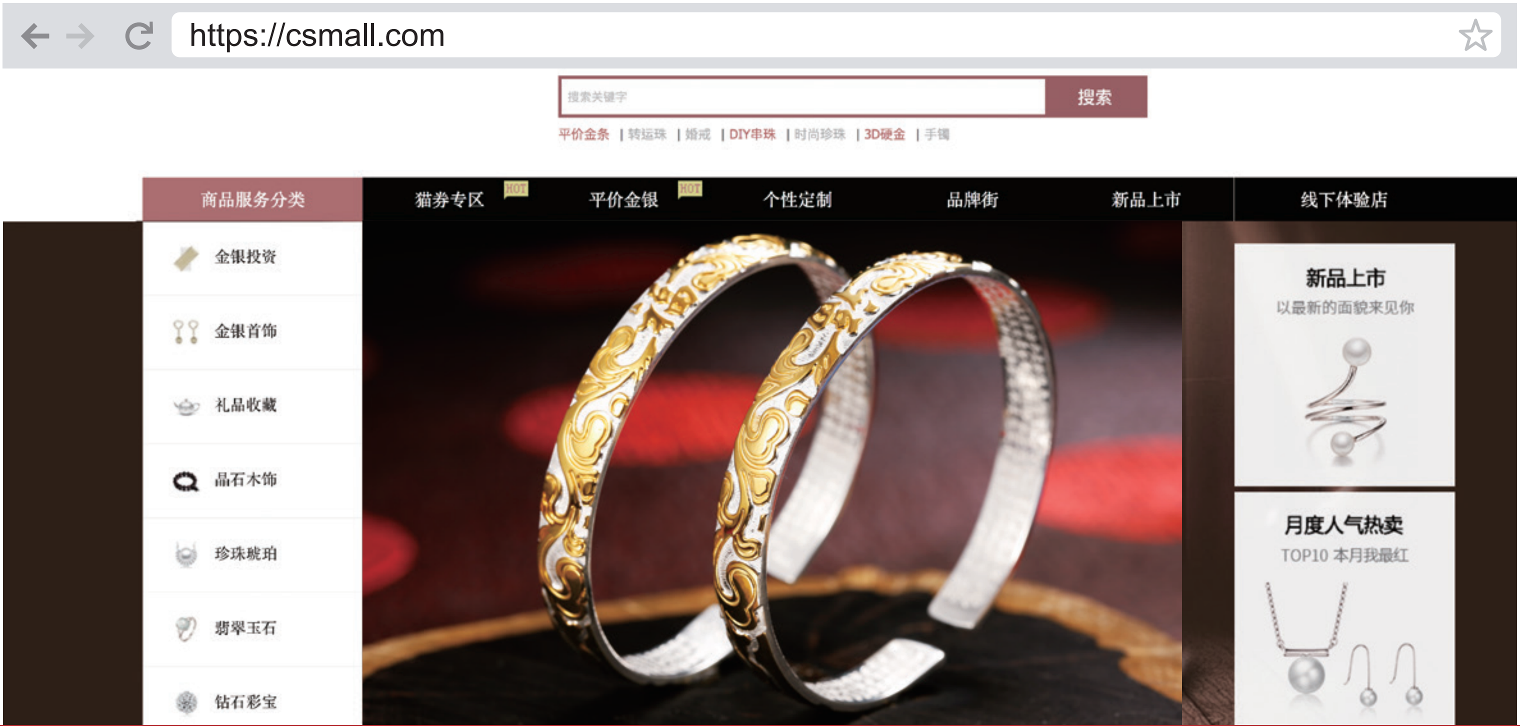

金猫银猫 CSmall

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INTERIM REPORT 2018

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

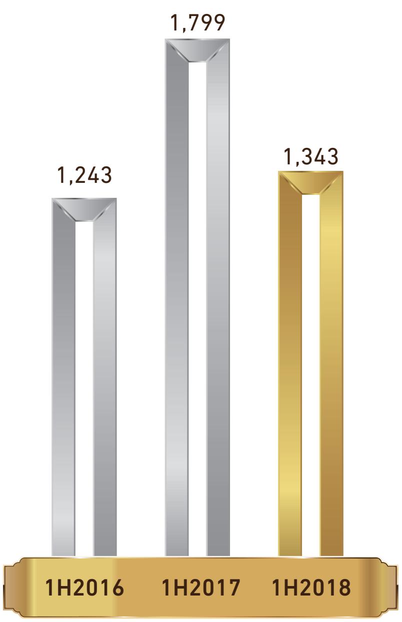
COMPLIANCE ADVISER

Halcyon Capital Limited

FINANCIAL HIGHLIGHTS

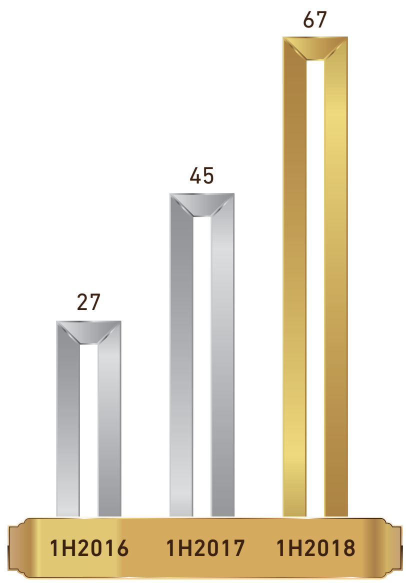
Consolidated Revenue

RMB million



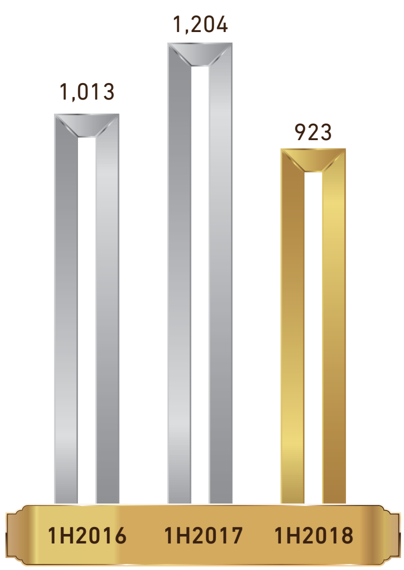
Profit for the Period

RMB million

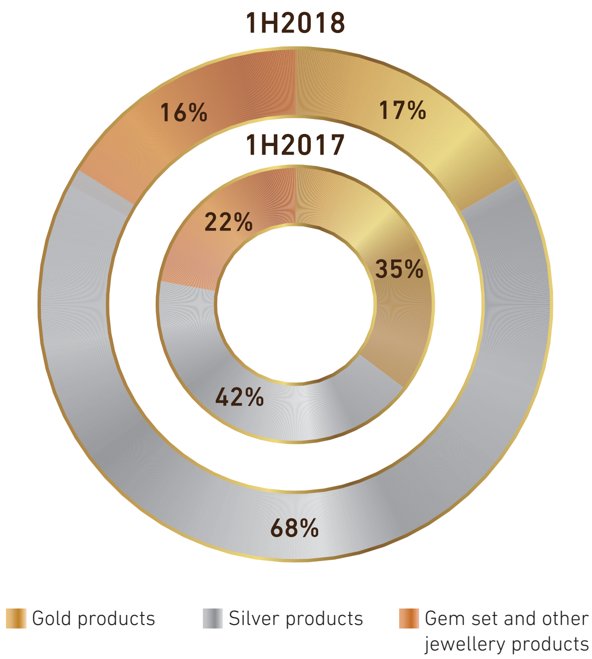


Revenue from Online Sales Channels

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）

MANAGEMENT DISCUSSION AND ANALYSIS

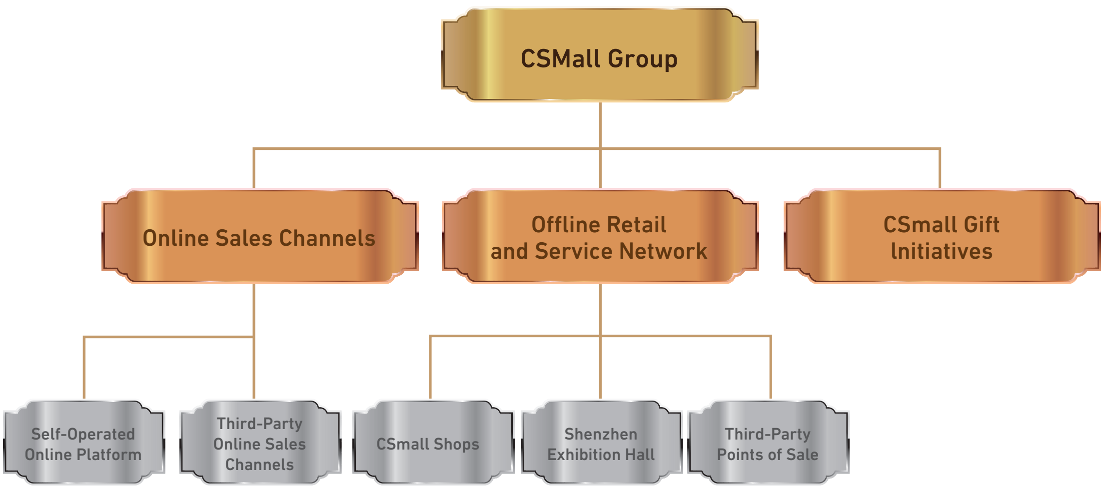
BUSINESS REVIEW

In the first half of 2018, the Group completed its listing on the Main Board of the Stock Exchange (the "Listing") and achieved outstanding performance by implementing a series of business initiatives and marketing campaigns. The Directors 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").

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 30 June 2018, the products available for sales through our integrated online and offline jewellery retail structure covered 132 brands, comprising 40 self-owned brands and 92 third-party brands.

Leveraging our extensive customer reach as well as effective implementation of our strategies, our business continued to grow rapidly since its launch in 2014. As we continue to improve and expand our product mix, we have been able to substantially improve our margins. Despite a drop in revenues due to the change in product mix, increased margins have resulted in an increase in profit for the period ended 30 June 2018 compared to the same period in 2017. Profit attributable to owners of the Company reached a record RMB67.4 million for the period.

We integrate our online and offline jewellery sales channels and develop our New Jewellery Retail Model that incorporates four complementary elements, being (i) a comprehensive e-commerce platform, (ii) easily accessible offline sales and service network, (iii) data mining and utilisation capabilities, and (iv) innovative crossover sales and marketing initiatives.



MANAGEMENT DISCUSSION AND ANALYSIS

Online Sales Channels

(i) Self-operated online platform

As of 30 June 2018, the number of registered members on our self-operated online jewellery platform, which consists of www.csmall.com, m.csmall.com and the mobile App of "金貓銀貓 CSmall", surpassed 8.7 million, with over 420 million aggregate page views (PV), 100 million unique visitors (UV) and 65 million internet protocols (IP) for the six months ended 30 June 2018. As of 30 June 2018, the platform carried an aggregate of 132 self-owned and third-party brands which offer a comprehensive range of products to customers.

(ii) Television and video shopping channels

As at 30 June 2018, we had been cooperating with a total of 22 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 (天貓), JD.com (京東), Suning (蘇寧), Gome (國美), Yihaodian (1號店) and WeChat (微信), 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 30 June 2018, we had 93 CSmall Shops located in 16 provinces and municipalities in the PRC, consisting of eight self-operated CSmall Shops, one jointly operated CSmall Shop and 84 franchised CSmall Shops with presence in Anhui, Beijing, Fujian, Guangdong, Hebei, Heilongjiang, Hubei, Hunan, Inner Mongolia, Jiangsu, Jiangxi, Liaoning, Shanghai, Tianjin, Xinjiang and Zhejiang.

Shops Distribution

32 in Zhejiang
10 in Jiangsu
9 in Guangdong
8 in Shanghai
6 in Anhui
5 in Hubei
5 in Beijing
4 in Fujian
4 in Tianjin
2 in Heilongjiang
2 in Hunan
2 in Liaoning
1 in Hebei
1 in Inner Mongolia
1 in Jiangxi
1 in Xinjiang

(ii) Shenzhen Exhibition Hall

Sales were generated from our Shenzhen Exhibition Hall with a gross floor area of approximately 1,500 square meters in Shuibei, Shenzhen, which 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. As of 30 June 2018, we have nine CSmall Gift partners. 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. 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. As of 30 June 2018, we had three CSmall Gift shops. We expect to open another 10 CSmall Gift shops by the end of 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 several content providers in the PRC to launch joint sales and marketing campaigns on their platforms to promote our brands and products to their customers. We also worked with a media company to post advertisements at airports, high-speed rail stations, commercial buildings and other high traffic areas. As of 30 June 2018, we have posted a total of 1681 advertisements.

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 13 April 2018 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 also partnered with CCTV to promote our CSMall platform during certain matches of the World Cup in June and July 2018.

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 have begun to implement our CSmall Gift initiatives with nine CSmall Gift partners as of 30 June 2018. 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.

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.

In addition, on 23 August 2018, the Group, through an indirect wholly-owned subsidiary, entered into a bid-winning confirmation letter with Huzhou Municipal Bureau of Land and Resources in relation to a preferred bid for the land use rights over a land parcel in Huzhou, Zhejiang. Huzhou is located in the central area of the Yangtze River Delta, which is one of the most important markets for jewellery consumption in the PRC. Following completion of the acquisition of the land use rights, the Group intends to construct a "silver town" which comprises the Group's operating headquarters, research and development centre, design centre, product exhibition centre as well as logistics and distribution centre, thereby further building an industry cluster.

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 30 June 2018, we had net cash of approximately RMB651.5 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.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 June 2018 was approximately RMB1.3 billion (1H2017: RMB1.8 billion), representing decrease of approximately 25.3% from that of the corresponding period in 2017.

	1H2018		1H2017	
	Revenue *(RMB'000)*	% of revenue	Revenue *(RMB'000)*	% of revenue
Online Sales Channels				
Self-operated online platform	**701,325**	**52.2%**	1,086,144	60.3%
Third-party online sales channels	**221,681**	**16.5%**	117,889	6.6%
	923,006	**68.7%**	1,204,033	66.9%
Offline Sales and Service Network				
CSmall Shops	**360,937**	**26.9%**	399,103	22.2%
Shenzhen Exhibition Hall	**12,735**	**0.9%**	190,634	10.6%
Third-party offline points of sale	**5,425**	**0.4%**	4,535	0.3%
	379,097	**28.2%**	594,272	33.1%
CSmall Gift Initiatives	**41,387**	**3.1%**	412	0.0%
Total	**1,343,490**	**100%**	1,798,717	100%

Online Sales Channels

For the six months ended 30 June 2018, the online sales channels recorded sales of RMB923 million (1H2017: RMB1,204 million), representing decrease of approximately 23.3%, as we changed our product mix to focus on higher margin products. In particular, sales of lower margin gold products decreased from RMB1,028 million in the first half of 2017 to RMB726 million for the same period in 2018, while sales of higher margin silver and gem-set and other jewellery products increased from RMB176 million for the first half of 2017 to RMB197 million for the same period in 2018. The decrease in revenue from our self-operated online platform was mitigated by stronger sales from third-party online sales channels especially from TV shopping.

Offline Sales and Service Network

During the period, the offline sales and service network recorded sales of RMB379 million (1H2017: RMB594 million), representing a decrease of approximately 36.2%. Mirroring online sales channels, the decrease was mainly due to our switch in product mix to focus on higher margin products. Sales of lower margin gold products decreased from RMB398 million for the first half of 2017 to RMB194 million for the same period in 2018, while sales of higher margin silver and gem-set and other jewellery products remained relatively steady and declined slightly from RMB196 million for the first half of 2017 to RMB185 million for the same period in 2018. In particular, sales of our Shenzhen Exhibition Hall declined significantly as we shifted our focus away from lower margin wholesale products.

CSmall Gift Initiatives

Besides having three CSmall Gift Shops, we also have 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 six months ended 30 June 2018 jumped to RMB41.4 million (1H2017: RMB0.4 million) as we continue to implement our CSmall Gift initiatives with our CSmall Gift partners.

Cost of Sales and Services Provided

Cost of sales decreased from RMB1,690 million for the six months ended 30 June 2017 to RMB1,186 million for the six months ended 30 June 2018, which was a steeper decrease than the decrease in our revenue during the period. This was due to our shift in strategy to change our product mix to focus on higher margin products such as silver and gem-set and other jewellery products while moving away from lower margin gold products.

Gross Profit and Gross Profit Margin

We recorded gross profit of RMB157 million (1H2017: RMB109 million) for the six months ended 30 June 2018, an increase of approximately 44.1% as compared to that of the corresponding period in 2017, which was mainly attributable to the sales of our silver products and gem-set and other jewellery products due to their higher gross profit margins, which mitigated the drop in gross profit contribution from gold products due to decreased sales volume. The overall gross profit margin increased from 6.1% to 11.7% primarily attributable to a change in product mix, with the proportion of sales of gold products as a percentage of total revenue decreasing from 79.3% for the six months ended 30 June 2017 to 68.5% for the six months ended 30 June 2018, and in particular the proportion of sales of lower margin gold bars as a percentage of total revenue decreasing from 55.8% for the six months ended 30 June 2017 to 50.5% for the six months ended 30 June 2018.

Other Income, Gains and Losses

Other income, gains and losses mainly includes interest income and net exchange (gain)/losses.

Administrative Expenses

Administrative expenses increased by approximately 73.3% from RMB23.8 million for the six months ended 30 June 2017 to RMB41.3 million for the six months ended 30 June 2018. The increase was primarily due to our increased staff size in line with our business development (resulting in increase in staff costs and rental and other associated office expenses) as well as increase in legal and other professional fees.

Selling and Distribution Expenses

Selling and distribution expenses slightly increased by approximately 9.08% from RMB16.4 million for the six months ended 30 June 2017 to RMB17.9 million for the six months ended 30 June 2018 primarily as a result of increase in headcount due to the expansion of our business.

MANAGEMENT DISCUSSION AND ANALYSIS

Listing Expenses

Listing expenses represent expenses incurred in connection with the Listing and the Global Offering such as underwriting commissions and professional fees paid to our reporting accountants, legal advisers and other professional advisers for their services rendered. Listing expenses of RMB9.3 million were recorded for the six months ended 30 June 2018 (1H2017: RMB6.6 million).

Income Tax Expense

The amount increased primarily due to an increase in profit before tax. The effective tax rate increased from 25.2% for the six months ended 30 June 2017 to 30.8% for the six months ended 30 June 2018 mainly due to an increase in expenses not deductible for tax purposes.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased significantly from RMB45.6 million to RMB67.4 million for the six months ended 30 June 2018 mainly due to the increase in gross profit and other income, gains and losses, partially offset by the increase in administrative expenses.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group's inventories mainly comprise gold bars, silver bars and jewellery products. For the six months ended 30 June 2018, inventory turnover days were approximately 56.0 days (for the year ended 31 December 2017: 38.3 days) mainly as a result of the rapid expansion of our business and purchases at the end of the period to fulfill customer orders for the second half of 2018.

The turnover days for trade receivables for the six months ended 30 June 2018 were approximately 8.2 days (for the year ended 31 December 2017: 4.9 days) mainly due to strong sales towards the end of the period resulting in increased trade receivables at period end.

The turnover days for trade payables for the six months ended 30 June 2018 were approximately 33.5 days (for the year ended 31 December 2017: 7.9 days) mainly due to purchase (on credit) of certain products in order to fulfill customer orders for the second half of 2018.

Borrowings

Save as aforesaid and apart from intra-group liabilities, as of 30 June 2018, 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 six months ended 30 June 2018, the Group invested RMB7.9 million in property, plant and equipment (1H2017: RMB0.9 million).

EMPLOYEES

As of 30 June 2018, the Group employed 403 staff members and the total remuneration for the six months ended 30 June 2018 amounted to RMB23.2 million (1H2017: RMB16.0 million). The Group's remuneration packages are in line with the current legislation in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the period under review. The Group was principally financed by internal resources and net proceeds received from the Global Offering. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. As of 30 June 2018, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB651 million (as of 31 December 2017: RMB338 million), RMB1,123 million (as of 31 December 2017: RMB324 million) and RMB1,143 million (as of 31 December 2017: RMB346 million), respectively. As of 30 June 2018, the Group did not have bank borrowings.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds received by the Company from the Global Offering amounted to RMB329.3 million after deducting underwriting commissions and all related expenses; and were being kept at the bank accounts of the Group as of 30 June 2018. Such net proceeds will be used in a manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus. From the Listing on 13 March 2018 up to 30 June 2018, such proceeds had not been applied for any use.

INTERIM DIVIDEND

No interim dividend for the six months ended 30 June 2018 was proposed.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 23 August 2018, an indirect wholly-owned subsidiary of the Company entered into a bid-winning confirmation letter which recognised the payment of a cash deposit of RMB57 million in relation to the land use right over a land parcel in the PRC. Further details are set out in the section headed "Management Discussion and Analysis – Prospects" of this interim report and in the announcement of the Company dated 23 August 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of 30 June 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Nature of interest	Number of shares(1)	Approximate percentage of interest in our Company
Mr. Chen He(2)	Interest in a controlled corporation	21,250,000	2.02%
Mr. Qian Pengcheng(3)	Interest in a controlled corporation	14,500,000	1.38%
Mr. Zhang Jinpeng(4)	Interest in a controlled corporation	12,500,000	1.19%

(1) All interests are long positions.

(2) Silver Apex Holdings Limited 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 Holdings Limited by virtue of the SFO.

(3) Treasure Delight International Limited is directly wholly owned by Mr. Qian Pengcheng. Accordingly, Mr. Qian Pengcheng is deemed to be interested in the 14,500,000 shares held by Treasure Delight International Limited by virtue of the SFO.

(4) Diamond Port Holdings Limited 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 Holdings Limited by virtue of the SFO.

Save as disclosed above, as of 30 June 2018, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

The register of substantial shareholders required to be kept by our Company under Section 336 of Part XV of the SFO shows that as of 30 June 2018, 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[1]	Approximate percentage of interest in our Company
China Silver Group Limited	Beneficial owner	500,000,033	47.46%
Blaze Loop Limited	Beneficial owner	166,025,000	15.76%
Mr. LIN Ting (林挺)[2]	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)[3]	Interest in a controlled corporation	60,059,000	5.70%
Best Conduct Investments Limited	Beneficial owner	58,000,000	5.50%
Hardstone Investment Limited[4]	Interest in a controlled corporation	58,000,000	5.50%
Mr. SHI Jinglei (石勁磊)[4]	Interest in a controlled corporation	58,000,000	5.50%

(1) All interests are long positions.

(2) 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 Ting. 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.

(3) 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.

(4) 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 of 30 June 2018, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

From the Listing on 13 March 2018 up to 30 June 2018, neither the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining a 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. From the Listing on 13 March 2018 up to 30 June 2018, the Company had 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 four 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 as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry with all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code from the Listing on 13 March 2018 up to 30 June 2018.

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 the financial reporting processes and risk management and internal control systems of the Group.

The Audit Committee has reviewed the financial reporting processes and internal control system of the Group and discussed with the external auditors the condensed consolidated financial statements for the six months ended 30 June 2018. The Audit Committee is of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

NOMINATION COMMITTEE

The 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 two being independent non-executive Directors.

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

REMUNERATION COMMITTEE

The 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.

APPENDIX 16 TO THE LISTING RULES

According to paragraph 40 of Appendix 16 to the Listing Rules headed "Disclosure of Financial Information", save as disclosed in this interim report, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the Company's 2017 annual report.

On behalf of the Board
Chen He
Chairman

Hong Kong, 30 August 2018

* *For identification purpose only*

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CSMALL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of CSMall Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	3	**1,343,490**	1,798,717
Cost of sales		**(1,186,397)**	(1,689,667)
Gross profit		**157,093**	109,050
Other income, gains and losses		**8,836**	(1,381)
Selling and distribution expenses		**(17,910)**	(16,419)
Administrative expenses		**(41,321)**	(23,845)
Listing expenses		**(9,285)**	(6,615)
Profit before tax		**97,413**	60,790
Income tax expense	4	**(30,034)**	(15,335)
Profit for the period	5	**67,379**	45,455
Other comprehensive expense, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,437)**	(10)
Total comprehensive income for the period		**65,942**	45,445
Profit (loss) for the period attributable to:			
Owners of the Company		**67,379**	45,608
Non-controlling interests		**—**	(153)
		67,379	45,455
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**65,942**	45,598
Non-controlling interests		**—**	(153)
		65,942	45,445
Basic earnings per share (RMB)	7	**0.07**	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**16,856**	10,711
Intangible assets	8	**3,569**	4,351
Deposits paid on acquisition of property, plant and equipment		**—**	6,920
		20,425	21,982
CURRENT ASSETS			
Inventories		**391,396**	342,783
Trade and other receivables	9	**212,684**	201,962
Amount due from immediate holding company		**320**	522
Amount due from a fellow subsidiary		**256,410**	—
Amount due from a related company		**—**	30
Bank balances and cash		**651,483**	338,006
		1,512,293	883,303
CURRENT LIABILITIES			
Trade and other payables	10	**322,607**	158,255
Contract liabilities	10	**46,982**	—
Amount due to immediate holding company		**201**	380,228
Amount due to a fellow subsidiary		**1,780**	3,273
Amount due to a related company		**760**	760
Income tax payable		**17,088**	16,578
		389,418	559,094
NET CURRENT ASSETS		**1,122,875**	324,209
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,143,300**	346,191
CAPITAL AND RESERVES			
Share capital	11	**711**	572
Share premium and reserves		**1,142,589**	345,619
TOTAL EQUITY		**1,143,300**	346,191

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Contribution reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000 (Note i)	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017 (unaudited)	516	–	2,480	161,994	3,690	24	4,052	172,756	48,598	221,354
Profit (loss) for the period	–	–	–	–	–	–	45,608	45,608	(153)	45,455
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(10)	–	(10)	–	(10)
Total comprehensive (expense) income for the period	–	–	–	–	–	(10)	45,608	45,598	(153)	45,445
Issue of shares	399	–	–	72,560	–	–	–	72,959	–	72,959
Arising from a group reorganisation (Note ii)	(343)	232,962	–	(232,619)	–	–	–	–	–	–
Net return to Longtianyong and FY Silver (Note iii)	–	–	–	–	–	–	(813)	(813)	–	(813)
At 30 June 2017 (unaudited)	572	232,962	2,480	1,935	3,690	14	48,847	290,500	48,445	338,945
At 1 January 2018 (audited)	572	232,962	2,480	1,935	12,226	8	96,008	346,191	–	346,191
Profit for the period	–	–	–	–	–	–	67,379	67,379	–	67,379
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(1,437)	–	(1,437)	–	(1,437)
Total comprehensive (expense) income for the period	–	–	–	–	–	(1,437)	67,379	65,942	–	65,942
Issue of shares	139	424,899	–	–	–	–	–	425,038	–	425,038
Transaction costs directly attributable to the issue of new shares	–	(17,241)	–	–	–	–	–	(17,241)	–	(17,241)
Contribution from China Silver Group Limited ("China Silver Group") (Note 11)	–	–	323,370	–	–	–	–	323,370	–	323,370
At 30 June 2018 (unaudited)	711	640,620	325,850	1,935	12,226	(1,429)	163,387	1,143,300	–	1,143,300

Notes:

(i) 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.

(ii) Amount represents the transfer of share capital of the CSMall Group Limited (BVI) ("CSMall Group BVI") to the Company pursuant to group reorganisation.

(iii) The net return to two subsidiaries of 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 a group reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(38,682)**	194,793
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(960)**	(936)
Purchase of intangible assets	**(549)**	(10,657)
Interest received	**1,007**	539
Repayment from immediate holding company	**202**	10
Repayment from related companies	**30**	—
Acquisition of an associate	**—**	(600)
NET CASH USED IN INVESTING ACTIVITIES	**(270)**	(11,644)
FINANCING ACTIVITIES		
Proceeds from issue of shares	**373,036**	65,795
Advance from immediate holding company	**6,236**	3,071
Advance from fellow subsidiaries	**899**	1,004
Repayment to immediate holding company	**(10,891)**	—
Repayment to fellow subsidiaries	**(2,392)**	—
Transaction costs directly attributable to the issue of new shares	**(13,022)**	—
NET CASH FROM FINANCING ACTIVITIES	**353,866**	69,870
NET INCREASE IN CASH AND CASH EQUIVALENTS	**314,914**	253,019
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**338,006**	124,901
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,437)**	(10)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**651,483**	377,910

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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

Pursuant to group reorganisation to rationalise the group structure in the preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 19 January 2017. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Details of the Reorganisation are set out in the Company's prospectus dated 28 February 2018 (the "Prospectus") and the Company's shares are successfully listed since 13 March 2018.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2017 have been prepared as if the group structure under the Reorganisation had been in existence throughout the period or since its respective date of incorporation or establishment, whichever is the shorter period.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 - 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on IFRS 15 "*Revenue from Contracts with Customers*"

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *"Revenue"*, IAS 11 *"Construction Contracts"* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *"Revenue"* and the related interpretations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 "*Revenue from Contracts with Customers*" (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under IFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 "*Revenue from Contracts with Customers*" (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

The Group recognises revenue from the following major sources:

(a) Sales of gold, silver, gem-set and other jewellery products, except for sales of first hand gold bars and sales of diamonds

Revenue is recognised when or as the control of the asset is transferred to the customers. The Group recognises revenue at a point in time upon delivery and title of the gold, silver, gem-set and other jewellery products is passed to customers.

(b) Sales of first hand gold bars

The Group sells first hand gold bars with tailor-made specification to the customers. The Group has obligation to provide the specified goods to the customers, and it is a principal as it controls the specified good before the good is transferred to a customer, therefore, revenue is recognised at point in time upon delivery and title of the goods is passed to customers.

(c) Sales of diamonds

According to the sales contract, the Group has primary responsibility for fulfilling the promise to provide diamonds to customers and after delivery of diamonds to the customers, the ownership of diamonds will be remained with the Group until payment in full is received. The control of diamonds is transferred upon full payment. Therefore, revenue is recognised at a point in time when the control of the diamonds have been transferred to customers (i.e. upon received payment in full).

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 "*Revenue from Contracts with Customers*" (continued)

2.1.2 Summary of effects arising from initial application of IFRS 15

As at 1 January 2018 and 30 June 2018, customer receipts in advance of RMB2,249,000 and RMB46,982,000, respectively were reclassified to contract liabilities.

Without application of IFRS 15, contract liabilities of RMB2,249,000 and RMB46,982,000 would be classified as customer receipts in advance under trade and other payables as at 1 January 2018 and 30 June 2018, respectively.

On the whole, other than the reclassification of contract assets and contract liabilities, the application of IFRS 15 has no material impact on the amounts reported in these condensed consolidated financial statements.

2.2 Impacts and changes in accounting policies of application on IFRS 9 "*Financial Instruments*"

In the current interim period, the Group has applied IFRS 9 *"Financial Instruments"* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *"Financial Instruments: Recognition and Measurement"*.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 "*Financial Instruments*" (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost.

Debt instruments that meet the following conditions are subsequently measured at amortised costs:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principals and interest on the principal amount outstanding.

The directors of the Company reviewed and assessed the Group's financial assets at 1 January 2018 based on the facts and circumstances that existed at that date. The application of IFRS 9 has had no material effect on classification and measurement of financial assets in these condensed consolidated financial statements.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, bank balances, amount due from immediate holding company and amount due from a fellow subsidiary). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 "*Financial Instruments*" (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 "*Financial Instruments*" (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

At 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No impairment allowance was recognised at 1 January 2018 and further assessment process is set out in Note 9.

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For the six months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gold products	**920,593**	1,425,678
Silver products	**322,209**	217,246
Gem-set and other jewellery products	**100,688**	155,793
	1,343,490	1,798,717

All of the Group's revenue is recognised at a point in time during the six months ended 30 June 2018.

The Group only has one operating and reportable segment. Management determines the operating segment based on the information reported to the Group's chief operating decision maker ("CODMs") (i.e. the executive directors of the Company). The CODMs assess the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in the business of design and sale of gold, silver and jewellery products in the PRC and Hong Kong. Accordingly, there is only one operating and reportable segment.

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

Geographical information

Information about the Group's revenue is presented below by geographical location based on the location of customers.

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The PRC	**1,339,129**	1,798,717
Hong Kong	**4,361**	—
	1,343,490	1,798,717

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
– current period	**29,871**	16,148
– under(over)provision in respect of prior years	**163**	(813)
	30,034	15,335

At the end of the reporting period, the Group has unused tax losses of approximately RMB9 million (31 December 2017: RMB5 million) available for offset against future profits that will expire in 2018 to 2023. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

Under the Law of the PRC on EIT (the "EIT Law") and its related implementation regulations, the Group's PRC subsidiary is subject to PRC EIT at the statutory rate of 25% for both periods, except that one of the subsidiaries of the Company, 深圳雲鵬軟件開發有限公司, was recognised as Software Enterprise by the PRC tax authorities such that it was entitled to an exemption for the first two consecutive years beginning from 2017 and a 50% reduction for the following three consecutive years, and it is subject to review once every year.

Under the EIT Law, withholding tax is imposed on dividends payable to non-PRC shareholders which is declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in these condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately RMB227 million as at 30 June 2018 (31 December 2017: RMB141 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**1,186,397**	1,689,667
Depreciation of property, plant and equipment	**1,735**	1,107
Amortisation of intangible assets (included in selling and distribution expenses)	**1,331**	1,162
Operating lease rental in respect of offices and warehouses	**5,113**	2,815

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For the six months ended 30 June 2018

6. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**67,379**	45,608
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	**966,798**	824,727
Basic earnings per share (RMB)	**0.07**	0.06

The basic earnings per share for the six months is calculated based on 824,727,000 ordinary shares on the assumption that the Reorganisation (as defined in Note 1) had been effective on 1 January 2017.

No diluted earnings per share was presented as there was no potential ordinary shares in issue for the six months ended 30 June 2017.

For the six months ended 30 June 2018, the computation of diluted earnings per share does not assume the exercise of the Company's over-allotment option because the exercise price of those options was higher than the average market price for shares.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS

During the current interim period, the Group acquired property, plant and equipment of RMB7,880,000 (six months ended 30 June 2017: RMB936,000) mainly for the expansion of its production scale and enhancement of production efficiency.

In addition, during the current interim period, the Group acquired intangible assets amounting to RMB549,000 (six months ended 30 June 2017: RMB10,657,000) mainly represents the enhancement to the system software.

9. TRADE AND OTHER RECEIVABLES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade receivables		
– aged within 90 days	**83,857**	36,839
– aged over 90 days	**355**	968
	84,212	37,807
Deposits and prepayments	**58,472**	44,936
Deferred and prepaid listing costs	**—**	4,219
Trade deposits *(Note)*	**70,000**	115,000
	212,684	201,962

Note: The amounts represent trade deposits paid to suppliers.

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

For the credit term reviews of a trade receivable, the Group considers any changes in the credit quality of the trade receivables from the date credit initially granted up to the end of the reporting period.

In order to minimise 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 amount.

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL. Trade receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward-looking estimates. As at 30 June 2018, no allowance of doubtful debts was made on trade receivables as the directors of the Company have assessed that the lifetime ECL allowance is insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

10. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade payables		
– aged within 90 days	**267,716**	134,158
– aged over 90 days	**37,366**	411
	305,082	134,569
Accrued listing costs	**6,665**	9,081
Other payables and accrued expenses	**10,409**	11,899
Customer receipts in advance	**—**	2,249
Value-added tax and other taxes payables	**451**	457
	322,607	158,255

The credit period of purchase of goods generally ranges from 0 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The balance of contract liabilities as at 30 June 2018 increased significantly because customer receipts in advance were reclassified as contract liabilities since 1 January 2018.

11. SHARE CAPITAL

The share capital as at 30 June 2018 and 31 December 2017 represented the share capital of the Company.

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 allotted and issued to a nominee subscriber.

On 23 January 2017, the Company 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.

11. SHARE CAPITAL (continued)

On 2 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.

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 was RMB373,036,000.

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 RMB323,370,000 was 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 (totaling 33 shares) which have been retained by China Silver Group.

	Number of shares	Share capital	
		US$	RMB'000
Ordinary share of US$0.0001 each:			
Authorised			
At 19 January 2017 (date of incorporation), 31 December 2017 and 30 June 2018	3,000,000,000	300,000	2,062
Issued			
At 19 January 2017 (date of incorporation)	1	—	—
Issue of new shares	832,333,999	83,233	572
At 30 June 2017	832,334,000	83,233	572
At 1 January 2018	832,334,000	83,233	572
Issue of new shares	221,254,000	22,125	139
At 30 June 2018	1,053,588,000	105,358	711

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12. RELATED PARTY TRANSACTIONS

(i) Related party transactions

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

Name of related parties	Relationship	Nature of transaction	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Longtianyong	A fellow subsidiary and a subsidiary of China Silver Group	Rental expense	**75**	75
		Purchase of silver ingots	**183,958**	142,281
Shanghai Huatong	A fellow subsidiary and a subsidiary of China Silver Group	Sales of jewellery products	**141**	85

(b) Details of the shares issued to China Silver Group to settle part of the amount due to immediate holding company and the capitalisation of the remaining outstanding amount are set out in Note 11.

(ii) Compensation of key management personnel

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

	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Salaries and other allowances	**1,459**	854
Discretionary performance-related bonus	**1,218**	—
Retirement benefits scheme contributions	**42**	28
	2,719	882

13. MAJOR NON-CASH TRANSACTIONS

Other than the loan capitalisation as disclosed in Note 11, the Group has no other significant non-cash transactions.

14. EVENT AFTER THE END OF THE REPORTING PERIOD

On 16 August 2018, the Group paid an amount of RMB57 million as a deposit to participate in an online auction for the land use rights over a land in Huzhou, the PRC. Further details and updates are set out in the Company's announcement dated 23 August 2018.