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中國白銀集團
CHINA SILVER GROUP

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 815

2018 Interim Report

Leading Fully-Integrated Silver and Precious Metals Enterprise in China

CONTENTS

CORPORATE INFORMATION

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

Independent non-executive directors
Guo Bin (郭斌)
Song Hongbing (宋鴻兵)
Li Haitao (李海濤)
Zeng Yilong (曾一龍)

Audit committee
Zeng Yilong (Chairman)
Song Hongbing
Li Haitao

Remuneration committee
Li Haitao (Chairman)
Chen Wantian
Song Hongbing

Nomination committee
Chen Wantian (Chairman)
Song Hongbing
Li Haitao

Company secretary
Moy Yee Wo, Matthew (梅以和), HKICPA

Authorised representatives
Chen Wantian
Moy Yee Wo, Matthew

Cayman Islands share registrar and transfer office
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Grand Cayman
KY1-1111
Cayman Islands

Hong Kong share registrar
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Principal place of business in Hong Kong
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Company's website
www.chinasilver.hk

Place of listing and stock code
The Stock Exchange of Hong Kong Limited
815

Principal bankers
Bank of Ganzhou
Agricultural Bank of China

Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants

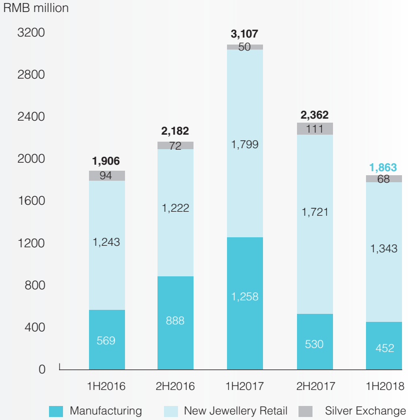
Legal advisors
Hong Kong law:
Sullivan & Cromwell (Hong Kong) LLP

Cayman Islands law:
Conyers Dill & Pearman

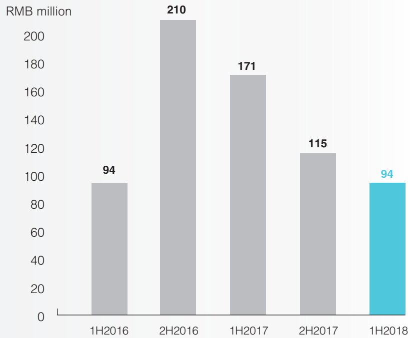
Investors and media relations
Hill and Knowlton Strategies

FINANCIAL HIGHLIGHTS

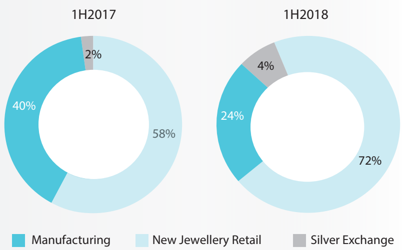
Revenue



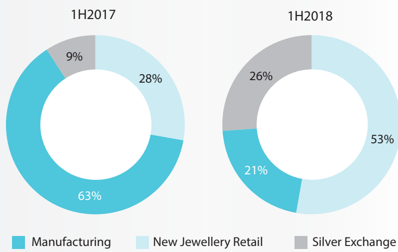
Profit Attributable to Owners of the Company



Revenue Breakdown



Segment Profit Breakdown



THE MILESTONE OF CHINA SILVER GROUP LIMITED

2002
- Silver Manufacturing

2012
- IPO in Hong Kong

2014
- Developed New Jewellery Retail Business

Feb 2017
- Acquired Silver Exchange Business

Mar 2018
- Spin-off of CSMall Group (Stock code: 1815)

Future
- Leading Fully-Integrated Silver and Precious Metals Enterprise in China

SELECTED BRANDS AND PRODUCTS

Zun Fan Pure Silver Jewelleries (尊梵足銀)

Guo Yin Tong Bao Silver Collectibles (國銀通寶)

Business Review

The Directors are delighted to report our progress in becoming a leading fully-integrated silver and precious metals enterprise in the People's Republic of China (the "**PRC**").

In 2014, we diversified from the traditional Manufacturing segment to the downstream New Jewellery Retail segment which is now operated under our subsidiary, CSMall Group Limited (Stock code: 1815) ("**CSMall Group**"). Leveraging our strength and resources in the upstream business as well as the effective implementation of our strategies, CSMall Group continued to grow rapidly since its launch. Sales of CSMall Group for the first six months of 2018 amounted to RMB1,343 million, representing approximately 72.1% of our total revenue for the same period (1H2017: 57.9%). Furthermore, CSMall Group contributed a segment profit of RMB94.9 million for the first six months of 2018 (1H2017: RMB60.8 million), representing its largest half year segment profit contribution since its launch in 2014. CSMall Group successfully completed a separate listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 March 2018.

In 2016, the Group further expanded the downstream business by completing the acquisition of Shanghai White Platinum & Silver Exchange* (上海華通鉑銀交易市場有限公司 or "**Shanghai Huatong**"), an operator of an integrated silver exchange platform in the PRC. For the six months ended 30 June 2018, the Silver Exchange segment contributed a segment profit of RMB47.1 million (1H2017: RMB20.5 million), representing an increase of approximately 130% as compared to the corresponding period in 2017.

Nevertheless, due to the tightening of environmental measures beginning in the second half of 2017, segment profit of the Manufacturing segment for the current interim period significantly decreased to RMB37.8 million (1H2017: RMB138.3 million), representing a decrease of approximately 72.7% as compared to the corresponding period in 2017.

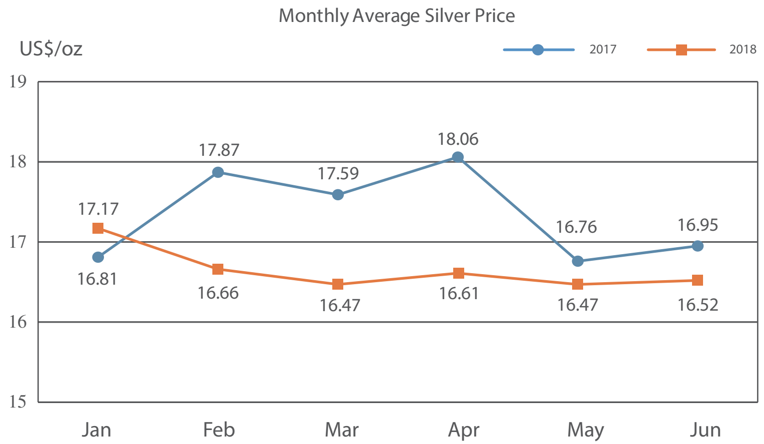
In aggregate, profit attributable to owners of the Company for the current interim period decreased to RMB94.1 million, representing a decrease of approximately 44.9% as compared to the corresponding period in 2017, mainly due to the lackluster performance in the Manufacturing segment offsetting improved performances in the other business segments, the absence of a significant reversal of an overprovision of income tax expense and the increase in the share of profit by minority interest after the spin-off of CSMall Group.

As always, our long-term vision is to become a leading fully-integrated silver and precious metals enterprise in the PRC and we are moving full speed towards this goal.

Manufacturing Segment

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

The Group applied a proprietary production model to manufacture high quality silver and other non-ferrous metals. Throughout the first half of 2018, the global silver market remained relatively stable. The graph below shows the change in international silver price quoted on the London Bullion Market Association (LBMA) from January 2018 to June 2018:



Source: The London Bullion Market Association

Nevertheless, due to the tightening of environmental measures beginning in the second half of 2017, the production volume of silver ingots was adversely affected. During the first half of 2018, we sold 30 tonnes (1H2017: 164 tonnes) of silver ingots to our customers and used 58 tonnes (1H2017: 35 tonnes) of silver ingots for our downstream businesses. As such, sale of other metal by-products also decreased accordingly.

New Jewellery Retail Segment Operated under CSMall Group

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 the first half of 2018, CSMall Group continued to perform well.

Online Sales Channels

(i) Self-operated online platform

As of 30 June 2018, the number of registered members on our self-operated online sales 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 over 130 self-owned and third-party brands which offer a comprehensive range of products to customers.

(ii) Television and video shopping channels

As of 30 June 2018, we had been cooperating with a total of 22 television and video shopping channels in the PRC to distribute our products. Our major partners 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

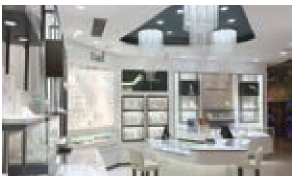
We offer intimate on-the-ground sales and services to our customers, including jewellery fitting and maintenance services which we believe are essential and important in the jewellery shopping experience, at our CSmall shops.

As of 30 June 2018, we had over 90 outlets across the PRC with presence in Anhui, Beijing, Fujian, Guangdong, Hebei, Heilongjiang, Hubei, Hunan, Inner Mongolia, Jiangsu, Jiangxi, Liaoning, Shanghai, Tianjin, Xinjiang and Zhejiang.

CSmall Shops

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

Our Shenzhen exhibition hall with a gross floor area of approximately 1,500 square meters is located 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. For instance, we partnered with banking institutions such as Bank of Ganzhou to distribute tailored silver collectibles to high-net-worth customers through their bank branches across the PRC.

Silver Exchange Segment

Shanghai Huatong is an operator of an integrated silver exchange platform in the PRC which provides professional and standardized spot goods supply, trading, logistic and e-commerce services. Its official website, www.buyyin.com, has been one of the authoritative web portals for the silver industry in the PRC. The daily spot silver prices quoted by www.buyyin.com are the general reference prices for the silver industry in the PRC.

Shanghai Huatong contributed a segment revenue of RMB68.0 million (1H2017: RMB49.7 million) and segment profit of RMB47.1 million (1H2017: RMB20.5 million) in the first half of 2018. The growth in segment revenue and segment profit as compared to the corresponding period in 2017 was mainly due to the increase in commission income on Shanghai Huatong's online platform.

Prospects

Looking ahead, we are confident about the future of the silver, precious metals and jewellery market in the PRC.

We continue to see a gradual recovery in the demand for high-quality gold and silver products in the market. While we expect the outlook for the global financial market to remain highly uncertain in the coming years, the flight-to-safety investment trend will continue to create more interest in gold and silver products and be beneficial to our business segments.

In view of the tightening of environmental measures by the PRC government, we plan to launch a new business to utilize environmental technology to treat industrial hazardous waste ("**IHW**"). Leveraging the experience and expertise gained by our indirect wholly-owned subsidiary Jiangxi Longtianyong Nonferrous Metals Co., Ltd.* (江西龍天勇有色金屬有限公司) from the recycling of rare metals extracted from IHW over the years, we aim to capture the rapidly growing hazardous waste market with advanced environmental technologies, and become a leading enterprise among Chinese IHW treatment companies in the near future.

Furthermore, as disclosed in our announcement dated 23 August 2018, Huzhou Baiyin Property Co., Ltd.* (湖州白銀置業有限公司), an indirect non-wholly-owned subsidiary of the Company, entered into a bid-winning confirmation letter with Huzhou Municipal Bureau of Land and Resources in relation to its preferred bid for the land use rights over a land parcel located in Taihu Resort Area of Huzhou. 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 on the land parcel a "silver town" which comprises the New Jewellery Retail segment'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.

As of 30 June 2018, we had net cash of approximately RMB928 million, signifying the Group's sufficient resources in potential acquisition. We have been considering various opportunities in the market and will disclose more details when appropriate.

In summary, we are pleased with the developments in the New Jewellery Retail segment and the Sliver Exchange segment and will strive to the best to become a leading fully-integrated silver and precious metals enterprise in the PRC.

Financial Review

Revenue

The revenue of the Group for the six months ended 30 June 2018 was approximately RMB1,863 million (1H2017: RMB3,107 million), representing a decrease of approximately 40% from that of the corresponding period in 2017.

	Six months ended 30 June			
	2018		2017	
	Revenue (RMB'000)	**% of revenue**	Revenue (RMB'000)	% of revenue
Manufacturing segment				
Sale of silver ingots	**94,067**	**5.1%**	576,731	18.6%
Sale of other metal by-products	**357,811**	**19.2%**	681,588	21.9%
	451,878	**24.3%**	1,258,319	40.5%
New Jewellery Retail segment operated under CSMall Group				
Sale of gold, silver and jewellery products	**1,343,490**	**72.1%**	1,798,717	57.9%
Silver Exchange segment				
Commission and related service income	**67,980**	**3.6%**	49,734	1.6%
Total	**1,863,348**	**100.0%**	3,106,770	100.0%

Manufacturing segment

Sales of silver ingots decreased from RMB577 million to RMB94.1 million for the six months ended 30 June 2018, representing a decrease of approximately 83.7%. The decline was mainly due to the decrease in sales volume.

The average selling price of silver ingots decreased from RMB3.5 million (value-added tax exclusive) per tonne to RMB3.1 million per tonne for the current interim period due to the decline in the international silver price. Sales volume of silver ingots significantly decreased from 164 tonnes to 30 tonnes for the current interim period due to the tightening of environmental measures.

Other metal by-products such as lead ingots, palladium ingots, zinc ingots, bismuth ingots and antimony ingots are produced during the production of silver ingots. Due to the decrease in the production of silver ingots, sales of metal by-products also decreased from RMB682 million to RMB358 million for the current interim period accordingly.

New Jewellery Retail segment operated under CSMall Group

During this interim period, CSMall Group recorded sales of RMB1,343 million (1H2017: RMB1,799 million), representing a decrease of approximately 25.3% as less gold products were sold during the period after CSMall Group strategically shifted its focus from gold products with a lower margin to silver and gem-set and other jewellery products with a higher margin.

Silver Exchange segment

During this interim period, the Silver Exchange segment recorded sales of RMB68.0 million (1H2017: RMB49.7 million), representing an increase of approximately 36.7%, mainly due to the increase in commission income.

Cost of Sales and Services Provided

Manufacturing segment

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

New Jewellery Retail segment operated under CSMall Group

Cost of sales mainly represents cost of materials used for the production of gold, silver and jewellery products. Except for silver, other materials like gold, amber and diamond are sourced from independent third parties. The amount decreased as less gold products were sold during the current interim period.

Silver Exchange segment

Cost of sales and services provided mainly represents cost of materials and direct expenses incurred for trading of silver and the operation of the online exchange platform. The amount decreased mainly due to effective cost control.

Gross Profit and Gross Profit Margin

We recorded gross profit of RMB283 million (1H2017: RMB303 million) for the six months ended 30 June 2018, a decrease of approximately 6.5% as compared to that of the corresponding period in 2017 mainly due to the lackluster performance in the Manufacturing segment offsetting improved performances in the other business segments. The overall gross profit margin increased from 9.8% to 15.2% for the first half of 2018 mainly due to a change in sales mix in the New Jewellery Retail segment. In particular, less low-margin gold products were sold during the current interim period.

Administrative Expenses

Administrative expenses increased by approximately 18.8% from RMB71.1 million to RMB84.5 million for the six months ended 30 June 2018. The increase was mainly due to an increase in staff salaries for the expansion in new businesses.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 13.8% from RMB17.1 million to RMB19.4 million for the six months ended 30 June 2018 mainly due to an increase in staff salaries.

Other Expenses

Other expenses for current interim period mainly represent professional expenses of RMB9.3 million recorded for the spin-off of CSMall Group. Amount recorded for the six months ended 30 June 2017 mainly represent the fair value change of contingent consideration resulting from the Shanghai Huatong acquisition.

Income Tax Expense

The amount increased as a reversal of an overprovision of RMB34.9 million was recorded in last period. No such amount was recorded in the current interim period.

Minority Interest

The amount increased as a major subsidiary, CSMall Group, successfully completed a separate listing on 13 March 2018.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company significantly decreased from RMB171 million for the six months ended 30 June 2017 to RMB94.1 million for the six months ended 30 June 2018 mainly due to the lackluster performance in the Manufacturing segment offsetting improved performances in the other business segments, the absence of a significant reversal of an overprovision in income tax expense and the increase in the share of profit by minority interest after the spin-off of CSMall Group.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group's inventories mainly comprise raw materials of ore powder, smelting slag, recycled materials and jewellery products. For the six months ended 30 June 2018, inventory turnover days were approximately 187 days (for the year ended 31 December 2017: 103 days).

The turnover days for trade receivables for the six months ended 30 June 2018 were approximately 7.7 days (for the year ended 31 December 2017: 3.5 days).

The turnover days for trade payables for the six months ended 30 June 2018 were approximately 25.5 days (for the year ended 31 December 2017: 5.6 days).

Borrowings

As of 30 June 2018, the Group's bank borrowings balance amounted to RMB29.0 million (as of 31 December 2017: RMB110.0 million). The amounts are carried at fixed interest rates and will be due for repayment within one year.

The Group's net gearing ratio was calculated on the basis of the total bank borrowings less bank balances and cash as a percentage of total equity. As of 30 June 2018, the Group was in a net cash position with a net gearing ratio of -28.5% (as of 31 December 2017: -21.7%).

Pledge of Assets

As of 30 June 2018, the Group pledged property ownership rights in respect of buildings and land use rights with total carrying value of RMB54.9 million and RMB17.9 million, respectively (as of 31 December 2017: RMB56.7 million and RMB7.7 million) to secure the general banking facilities granted to the Group. No inventory was pledged as part of the security to secure the general banking facilities granted to the Group as of 30 June 2018 (as of 31 December 2017: RMB564.6 million).

Capital Expenditures

For the six months ended 30 June 2018, the Group invested RMB10.1 million in property, plant and equipment (1H2017: RMB5.3 million).

Employees

As of 30 June 2018, the Group employed 1,239 staff members (as of 31 December 2017: 1,159 staff members) and the total remuneration for the six months ended 30 June 2018 amounted to RMB51.1 million (1H2017: RMB55.3 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 and bank borrowings. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and bank borrowings. As of 30 June 2018, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB957.5 million (as of 31 December 2017: RMB712.5 million), RMB2,574.3 million (as of 31 December 2017: RMB2,077.5 million) and RMB3,284.3 million (as of 31 December 2017: RMB2,804 million), respectively. As of 30 June 2018, the Group had bank borrowings amounting to RMB29.0 million (as of 31 December 2017: RMB110.0 million).

Significant Investment Held, Material Acquisition and Disposal

On 30 August 2017, the Company proposed to carry out a spin-off and separate listing of its New Jewellery Retail segment operated under CSMall Group on the Main Board of the Stock Exchange. The proposed spin-off constituted a deemed disposal of the Company's interest in CSMall Group under Rule 14.29 of the Listing Rules. Further details of the proposed spin-off are set out in the announcements of the Company dated 30 August 2017, 28 November 2017, 15 December 2017, 28 February 2018 and 12 March 2018 and the circular of the Company dated 28 November 2017. CSMall Group was separately listed on the Main Board of the Stock Exchange on 13 March 2018.

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.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2018 (1H2017: Nil).

Significant Event after the Reporting Period

On 23 August 2018, an indirect non-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.

Directors' and Chief Executives' 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 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	**Capacity/Nature of interest**	**Number of shares**[1]	**Approximate percentage of interest in our Company**
Mr. Chen Wantian	Interest in controlled corporation/ Beneficial Interest[2]	411,422,187	25.33%
Mr. Song Guosheng	Beneficial Interest[3]	2,006,797	0.12%

Note 1: All interests are long positions.

Note 2: Mr. Chen Wantian is deemed to be interested in 405,722,187 shares owned by Rich Union Enterprises Limited as the legal owner of the entire issued share of Rich Union Enterprises Limited. Mr. Chen Wantian was granted share options to subscribe for 4,650,000 shares, details of which are disclosed under the section headed "Share Option Schemes" below. Further, Mr. Chen Wantian is the beneficial owner of 1,050,000 shares.

Note 3: Mr. Song Guosheng was granted share options to subscribe for 1,550,000 shares, details of which are disclosed under the section headed "Share Option Schemes" below. Further, Mr. Song Guosheng is the beneficial owner of 456,797 shares.

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	Capacity/Nature of interest	Number of shares[1]	Approximate percentage of interest in our Company
FIL Limited	Investment Manager	101,594,000	6.26%

Note 1: The interest is a long position.

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.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2018.

Share Option Schemes

The Company adopted a share option scheme on 5 December 2012 (the "**2012 Scheme**") and 21 April 2015 (the "**2015 Scheme**"; together with the 2012 Scheme, the "**Share Option Schemes**") respectively. The purpose of the Share Option Schemes is to reward participants who have contributed to our Group and to encourage participants to work towards enhancing the value of our Group.

Details of the movement of the share options granted under the 2012 Scheme during the six months ended 30 June 2018 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1 January 2018 and 30 June 2018
Directors				
Mr. Chen Wantian	3 July 2013	HK$0.96	3 July 2013 – 2 July 2023	2,450,000
	20 August 2014	HK$2.20	20 August 2014 – 19 August 2024	2,200,000
Mr. Song Guosheng	3 July 2013	HK$0.96	3 July 2013 – 2 July 2023	1,050,000
	20 August 2014	HK$2.20	20 August 2014 – 19 August 2024	500,000
Employees				
In aggregate	3 July 2013	HK$0.96	3 July 2013 – 2 July 2023	3,150,000
	20 August 2014	HK$2.20	20 August 2014 – 19 August 2024	24,300,000
	2 January 2015	HK$1.80	2 January 2015 – 1 January 2025	48,484,000
				82,134,000

The total number of shares available for issue under the 2012 Scheme is 82,370,000 representing 5.07% of the Company's issued share capital as of 30 June 2018.

Details of the movement of the share options granted under the 2015 Scheme during the six months ended 30 June 2018 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1 January 2018	Exercised during the period	Outstanding as of 30 June 2018
Employees						
In aggregate	27 August 2015	HK$1.97	27 August 2015 – 26 August 2025	100,938,000	(476,000)	100,462,000
				100,938,000	(476,000)	100,462,000

The total number of shares available for issue under the 2015 Scheme is 101,440,600 representing 6.25% of the Company's issued share capital as of 30 June 2018.

Note 1: The closing price per share immediately before 3 July 2013, 20 August 2014, 2 January 2015 and 27 August 2015 (the date on which the share options were granted) was HK$0.95, HK$2.20, HK$1.80 and HK$1.87 respectively.

Note 2: Share options granted under the 2012 Scheme on 3 July 2013 are exercisable during the period from 3 July 2014 to 2 July 2023 in three batches, being:

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

Share options granted under the 2012 Scheme on 20 August 2014 are exercisable during the period from 20 August 2015 to 19 August 2024 in three batches, being:

- 20 August 2015 to 19 August 2024 (up to 30% of the share options granted are exercisable)
- 20 August 2016 to 19 August 2024 (up to 60% of the share options granted are exercisable)
- 20 August 2017 to 19 August 2024 (all share options granted are exercisable)

Share options granted under the 2012 Scheme on 2 January 2015 are exercisable during the period from 2 January 2016 to 1 January 2025 in three batches, being:

- 2 January 2016 to 1 January 2025 (up to 30% of the share options granted are exercisable)
- 2 January 2017 to 1 January 2025 (up to 60% of the share options granted are exercisable)
- 2 January 2018 to 1 January 2025 (all share options granted are exercisable)

Note 3: Share options granted under the 2015 Scheme on 27 August 2015 are exercisable during the period from 27 August 2016 to 26 August 2025 in two batches, being:

- 27 August 2016 to 26 August 2025 (up to 50% of the share options granted are exercisable)
- 27 August 2017 to 26 August 2025 (all share options granted are exercisable)

Note 4: No share option granted under the 2012 Scheme was exercised during the six months ended 30 June 2018.

Code of Corporate Governance

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 four executive Directors and four 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. During the six months ended 30 June 2018, the Company had complied with the code provisions under the Code, except for the following deviations:

Pursuant to code provision A.6.7 of the Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, four independent non-executive Directors were unable to attend the annual general meeting held on 29 May 2018.

Pursuant to code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting. Due to other business engagements, the chairman of the Board was unable to attend the annual general meeting held on 29 May 2018.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2018.

Audit Committee

The Board established an audit committee (the "**Audit Committee**") on 5 December 2012 with written terms of reference in compliance with the Code. The Audit Committee comprises all three independent non-executive Directors namely, Dr. Zeng Yilong (Chairman), Dr. Li Haitao and Mr. Song Hongbing. The terms of reference of the Audit Committee were revised and adopted on 30 December 2015. 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.

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 5 December 2012 with written terms of reference in compliance with the Code. The Nomination Committee comprises Mr. Chen Wantian (Chairman), Dr. Li Haitao and Mr. Song Hongbing, 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 5 December 2012 with written terms of reference in compliance with the Code. The Remuneration Committee comprises Dr. Li Haitao (Chairman), Mr. Chen Wantian and Mr. Song Hongbing in which Dr. Li Haitao and Mr. Song Hongbing 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 Wantian
Chairman

Hong Kong, 30 August 2018

* *For identification purpose only*

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CHINA SILVER GROUP LIMITED
中國白銀集團有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of China Silver Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 64, 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.

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

		Six months ended 30 June	
		2018	2017
	NOTES	**RMB'000**	RMB'000
		(unaudited)	(unaudited)
Revenue	*3*	**1,863,348**	3,106,770
Cost of sales and services provided		**(1,580,009)**	(2,803,732)
Gross profit		**283,339**	303,038
Other income		**6,771**	2,109
Other gains and losses		**1,078**	(785)
Administrative expenses		**(84,508)**	(71,114)
Selling and distribution expenses		**(19,407)**	(17,056)
Research and development expenses		**(990)**	(958)
Other expenses		**(9,647)**	(14,778)
Finance costs		**(3,281)**	(2,702)
Share of results of associates		**(280)**	(5)
Profit before tax		**173,075**	197,749
Income tax expense	*4*	**(46,843)**	(9,127)
Profit for the period	*5*	**126,232**	188,622
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,214)**	(314)
Total comprehensive income for the period		**125,018**	188,308

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
	NOTES	**2018 RMB'000 (unaudited)**	2017 RMB'000 (unaudited)
Profit for the period attributable to:			
Owners of the Company		**94,149**	170,908
Non-controlling interests		**32,083**	17,714
		126,232	188,622
Total comprehensive income for the period attributable to:			
Owners of the Company		**92,935**	170,594
Non-controlling interests		**32,083**	17,714
		125,018	188,308
		RMB	RMB
Earnings per share	*7*		
Basic		**0.058**	0.112
Diluted		**0.058**	0.112

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*	**165,650**	167,680
Prepaid lease payments		**17,482**	17,700
Goodwill		**407,321**	407,321
Intangible assets	*8*	**107,220**	113,412
Deferred tax assets		**1,682**	2,032
Interest in an associate		**1,698**	2,554
Financial assets at fair value through other comprehensive income		**8,963**	–
Available-for-sale investment		**–**	8,963
Deposits paid on acquisition of property, plant and equipment		**–**	6,920
		710,016	726,582
CURRENT ASSETS			
Prepaid lease payments		**432**	432
Inventories		**1,830,493**	1,436,818
Trade receivables, loan receivables, deposits and prepayments	*9*	**234,027**	203,122
Trade deposits		**103,274**	117,731
Tax recoverable		**8,949**	13,018
Restricted bank balances	*10*	**275,883**	339,511
Bank balances and cash		**957,469**	712,492
		3,410,527	2,823,124

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	NOTES	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	11	711,637	605,238
Contract liabilities	11	70,434	–
Customer receipts in advance		–	2,249
Deferred income		–	1,043
Income tax payable		25,179	27,138
Bank borrowings	12	29,000	110,000
		836,250	745,668
NET CURRENT ASSETS		2,574,277	2,077,456
TOTAL ASSETS LESS CURRENT LIABILITIES		3,284,293	2,804,038
CAPITAL AND RESERVES			
Share capital	13	13,246	13,242
Share premium and reserves		2,799,479	2,610,510
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		2,812,725	2,623,752
Non-controlling interests		441,316	148,697
TOTAL EQUITY		3,254,041	2,772,449
NON-CURRENT LIABILITIES			
Deferred tax liability		23,526	24,506
Deferred income		6,726	7,083
		30,252	31,589
TOTAL EQUITY AND NON-CURRENT LIABILITIES		3,284,293	2,804,038

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	Share options reserve RMB'000	Capital reserve RMB'000 *(note i)*	Statutory reserve RMB'000 *(note ii)*	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (audited)	11,821	914,250	95,419	147,170	131,281	(2,230)	791,452	2,089,163	98,483	2,187,646
Profit for the period	–	–	–	–	–	–	170,908	170,908	17,714	188,622
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(314)	–	(314)	–	(314)
Total comprehensive (expense) income for the period	–	–	–	–	–	(314)	170,908	170,594	17,714	188,308
Recognition of equity-settled share-based payments	–	–	11,373	–	–	–	–	11,373	–	11,373
Issue of shares upon exercise of share options *(note 13(iii))*	6	905	(324)	–	–	–	–	587	–	587
Placing of shares *(note 13(i))*	122	18,335	–	–	–	–	–	18,457	–	18,457
Transaction costs attributable to issue of shares	–	(647)	–	–	–	–	–	(647)	–	(647)
Issue of new shares on acquisition of Shanghai Huatong *(note 13(ii))*	1,223	185,834	–	–	–	–	–	187,057	–	187,057
Disposal of partial interest in CSMall BVI *(note 14)*	–	–	–	54,303	–	–	–	54,303	18,659	72,962
Dividends recognised as distribution *(note 6)*	–	(40,779)	–	–	–	–	–	(40,779)	–	(40,779)
At 30 June 2017 (unaudited)	13,172	1,077,898	106,468	201,473	131,281	(2,544)	962,360	2,490,108	134,856	2,624,964
At 1 January 2018 (audited)	**13,242**	**1,095,250**	**106,713**	**201,491**	**159,818**	**(1,663)**	**1,048,901**	**2,623,752**	**148,697**	**2,772,449**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**94,149**	**94,149**	**32,083**	**126,232**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(1,214)**	**–**	**(1,214)**	**–**	**(1,214)**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**–**	**(1,214)**	**94,149**	**92,935**	**32,083**	**125,018**
Recognition of equity-settled share-based payments	**–**	**–**	**11**	**–**	**–**	**–**	**–**	**11**	**–**	**11**
Issue of shares upon exercise of share options *(note 13(iv))*	**4**	**1,010**	**(246)**	**–**	**–**	**–**	**–**	**768**	**–**	**768**
Deemed disposal of partial interest in CSMall Group arising from spin-off *(note 14)*	**–**	**–**	**–**	**95,259**	**–**	**–**	**–**	**95,259**	**260,536**	**355,795**
At 30 June 2018 (unaudited)	**13,246**	**1,096,260**	**106,478**	**296,750**	**159,818**	**(2,877)**	**1,143,050**	**2,812,725**	**441,316**	**3,254,041**

Notes:

(i) The capital reserve represents the sum of (a) RMB31,487,000 being the excess of the consideration paid by an independent investor to acquire 10% interest in the Group over the par value of the share capital subscribed; (b) RMB654,000 being the excess of the share capital of a subsidiary acquired by the Company over the nominal consideration of US$1 paid, as part of the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 December 2012; (c) RMB115,029,000 and RMB54,303,000 (as detailed in note 14) being the difference between the increase in the non-controlling interests and the consideration received from the disposal of partial interest in CSMall Group Limited ("CSMall BVI") in 2016 and 2017, respectively; (d) RMB18,000 being the difference between the increase in the non-controlling interests and the consideration received from the increase of partial interest in a Group's subsidiary, 永豐縣通盛小額貸款股份有限公司 in 2017; and (e) RMB95,259,000 being the difference between the increase in the non-controlling interests and the cash received from the initial listing of shares in a Group's subsidiary, CSMall Group Limited ("CSMall Group") in March 2018 (as detailed in note 14).

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
	NOTES	**2018 RMB'000 (unaudited)**	2017 RMB'000 (unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(63,503)**	297,360
INVESTING ACTIVITIES			
Repayment of loan receivables		**39,000**	–
Loan interest income		**2,907**	–
Bank interest received		**2,152**	1,185
Proceeds from disposal of property, plant and equipment		**8**	–
Purchase of intangible assets		**(3,483)**	(13,248)
Purchase of property, plant and equipment		**(3,172)**	(5,297)
Acquisition of an asset through acquisition of a subsidiary		**–**	(1,800)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**37,412**	(19,160)
FINANCING ACTIVITIES			
Proceeds from issue of shares of a subsidiary arising from spin-off	*14*	**355,795**	–
New bank borrowing raised		**29,000**	–
Proceeds from issue of shares upon exercise of share options		**768**	587
Repayment of bank borrowings		**(110,000)**	–
Interest paid		**(3,281)**	(2,702)
Proceeds from allotment of subscription shares	*14*	**–**	65,916
Proceeds from placing of shares		**–**	18,457
Transaction costs attributable to issue of shares		**–**	(647)
NET CASH FROM FINANCING ACTIVITIES		**272,282**	81,611
NET INCREASE IN CASH AND CASH EQUIVALENTS		**246,191**	359,811
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**712,492**	506,873
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(1,214)**	(314)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash		**957,469**	866,370

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

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.

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 IASB 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 IFRSs 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 results in changes in accounting policies, amounts reported and/or disclosures as described below.

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"

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 retained profits 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.

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.

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)

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 silver ingot and other non-ferrous metals

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 silver ingot and other non-ferrous metal is passed to the customers.

(b) 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.

(c) 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.

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)

(d) 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).

(e) Membership income from electronic platform

The Group operates a professional electronic platform for its members and their trading of silver ingots. Membership agreement for using the electronic platform with initial subscription fee and annual membership fee being charged was signed between the Group and its customer. For initial membership fee, the revenue is recognised over the expected life time of membership. For annual membership fee, the revenue is recognised over the annual period.

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.

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

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	**Carry amount previously reported at 31 December 2017**	**Reclassification**	**Carrying amounts under IFRS 15 at 1 January 2018**
		RMB'000	**RMB'000**	**RMB'000**
Current liabilities				
Customer receipts in advance	*(a)*	2,249	(2,249)	–
Deferred income	*(a)*	1,043	(1,043)	–
Contract liabilities	*(a)*	–	3,292	3,292

Note:

(a) As at 1 January 2018, customer receipts in advance of RMB2,249,000 and deferred income of RMB1,043,000 were reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

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 (Continued)

	Note	**As reported**	**Adjustments**	**Amounts without application of IFRS 15**
		RMB'000	**RMB'000**	**RMB'000**
Current liabilities				
Customer receipts in advance	*(a)*	–	70,434	70,434
Contract liabilities	*(a)*	70,434	(70,434)	–

Note:

(a) As at 30 June 2018, customer receipts in advance of RMB70,434,000 were classified as contract liabilities.

Except as described above, the application of IFRS 15 has had no material financial impact on the timing and amounts of revenue recognised in prior and current periods.

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"

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.

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

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".

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 or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

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)

Classification and measurement of financial assets (Continued)

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.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the other reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.2.2.

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

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, loan receivables, restricted bank balances and bank balances). 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.

The Group always recognises lifetime ECL for trade receivables and loan 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.

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

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.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

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)

Measurement and recognition of ECL (Continued)

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 and have concluded that no material financial impact exists, and therefore no adjustment to the opening retained profits at 1 January 2018 has been recognised.

2.2.2 Summary of effects arising from initial application of IFRS 9

The Group elected to present in other comprehensive income for the fair value changes of its equity investment previously classified as available-for-sale investment, of which RMB8,963,000 related to unquoted equity investment previously measured at cost less impairment under IAS 39. These investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB8,963,000 was reclassified from available-for-sale investment to financial assets at fair value through other comprehensive income.

Except as described above, the application of new and amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

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

(ii) designing and sales of gold, silver and jewellery products in the PRC and Hong Kong ("New Jewellery Retail segment"); and

(iii) providing professional electronic platform and related services for silver trading ("Silver Exchange segment").

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

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

	Six months ended 30 June 2018					
	Manufacturing segment RMB'000 (unaudited)	New Jewellery Retail segment RMB'000 (unaudited)	Silver Exchange segment RMB'000 (unaudited)	Segment total RMB'000 (unaudited)	Elimination RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Revenue						
External sales	451,878	1,343,490	67,980	1,863,348	–	1,863,348
Inter-segment sales	183,958	–	–	183,958	(183,958)	–
Total segment revenue	635,836	1,343,490	67,980	2,047,306	(183,958)	1,863,348
Results						
Segment results	37,804	94,867	47,129	179,800		179,800
Non-segment items						
Unallocated income, expenses, gains and losses						(3,164)
Share of result of an associate						(280)
Finance costs						(3,281)
Profit before tax						173,075

3. REVENUE AND SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2017					
	Manufacturing segment RMB'000 (unaudited)	New Jewellery Retail segment RMB'000 (unaudited)	Silver Exchange segment RMB'000 (unaudited)	Segment total RMB'000 (unaudited)	Elimination RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Revenue						
External sales	1,258,319	1,798,717	49,734	3,106,770	–	3,106,770
Inter-segment sales	142,281	–	–	142,281	(142,281)	–
Total segment revenue	1,400,600	1,798,717	49,734	3,249,051	(142,281)	3,106,770
Results						
Segment results	138,336	60,790	20,534	219,660		219,660
Non-segment items						
Unallocated income, expenses, gains and losses						(19,204)
Share of results of associates						(5)
Finance costs						(2,702)
Profit before tax						197,749

3. REVENUE AND SEGMENT INFORMATION (Continued)

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	**1,858,987**	3,106,770
Hong Kong	**4,361**	–
	1,863,348	3,106,770

3. REVENUE AND SEGMENT INFORMATION (Continued)

Analysis of revenue by products and services

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Manufacturing segment		
Sale of silver ingots	**94,067**	576,731
Sale of lead ingots	**157,656**	285,747
Sale of palladium	**–**	275,032
Sale of zinc oxide	**90,379**	38,086
Sale of other metal by-products	**109,776**	82,723
	451,878	1,258,319
New Jewellery Retail segment		
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
Silver Exchange segment		
Commission income	**67,037**	39,616
Membership fee income	**943**	10,118
	67,980	49,734
	1,863,348	3,106,770

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

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

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
– current period	**46,130**	44,734
– under(over)provision in respect of prior periods	**363**	(34,935)
	46,493	9,799
Deferred taxation for the period	**350**	(672)
	46,843	9,127

At the end of the reporting period, the Group has unused tax losses of approximately RMB9 million (31 December 2017: RMB6 million) available for offset against future profits that will expire in 2018 to 2023. No deferred tax asset has been recognised in respect of the 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 subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both periods, except for two of the subsidiaries of the Company, 江西龍天勇有色金屬有限公司("Jiangxi Longtianyong") and 深圳雲鵬軟件開發有限公司("Shenzhen Yunpeng").

Jiangxi Longtianyong was recognised as High and New Technology Enterprise by the PRC tax authorities such that it was entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of grant, and it is subject to review once every three years. During the year ended 31 December 2016, Jiangxi Longtianyong adopted 25% as the tax rate as the review of renewal had not been completed. Subsequently in 2017, the review has been completed such that Jiangxi Longtianyong recognised a significant reversal of the PRC EIT of RMB34,708,000 in the six months ended 30 June 2017.

Shenzhen Yunpeng was recognised as Software Enterprise by the PRC tax authorities such that it was entitled to an exemption of PRC EIT 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 RMB1,577.8 million as at 30 June 2018 (31 December 2017: RMB1,412.8 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 (crediting):		
Cost of inventories recognised as expenses	**1,578,304**	2,799,986
Depreciation of property, plant and equipment	**12,073**	10,887
Fair value change of contingent consideration	**–**	10,540
Amortisation of intangible assets (included in administrative expenses and selling and distribution expenses)	**9,675**	8,716
Expenses and professional fees for acquisition projects and fund raising activities	**9,285**	6,615
Release of prepaid lease payments	**218**	217
Bank interest income	**(2,152)**	(1,185)
Loan interest income	**(2,907)**	–
Loss on disposal of property, plant and equipment	**41**	2

6. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
– Final dividend of HK$0.03 per share for the year ended 31 December 2016	**–**	40,779

The directors of the Company do not recommend the payment of an interim dividend during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**94,149**	170,908
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,624,156**	1,526,207
Effect of dilutive potential ordinary shares:		
Share options of the Company	**3,495**	2,614
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,627,651**	1,528,821

In calculating the diluted earnings per share, the potential issue of shares arising from certain of the Company's share options would decrease the earnings per share.

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

During the current interim period, the Group acquired property, plant and equipment of RMB10,092,000 (six months ended 30 June 2017: RMB5,297,000) which 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 RMB3,483,000 (six months ended 30 June 2017: RMB15,048,000) which mainly represents system software for the expansion of the New Jewellery Retail segment.

9. TRADE RECEIVABLES, LOAN RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade receivables	**115,593**	43,002
Loan receivables (note)	**50,490**	89,100
Deposits and prepayments	**67,944**	71,020
	234,027	203,122

note: Amounts represents unsecured fixed-rate loan receivables carried interest at 0.6% per month. All the loan receivables were either repayable on demand or within one year. At 30 June 2018, included in the carrying amount of loan receivables was accumulated impairment loss of RMB510,000 (31 December 2017: RMB900,000).

Before accepting any new customer, other than those settling by cash or credit cards, the Group assesses the potential customer's credit quality and defines its credit limits based on reputation of the customer in the industry. The Group generally grants its customers a credit period ranging from 0 to 90 days and requires advance deposits from its customers before delivery of goods.

9. TRADE RECEIVABLES, LOAN RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 – 30 days	**107,061**	39,182
31 – 60 days	**8,172**	1,033
61 – 90 days	**2**	1,819
Over 90 days	**358**	968
	115,593	43,002

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 and loan 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 additional allowance of doubtful debts was made on trade receivables and loan receivables as the directors of the Company have assessed that the impact is insignificant.

10. RESTRICTED BANK BALANCES

The Group receives and holds money deposited by clients in the course of trading in the silver exchange platform. These clients' monies are maintained in one or more trust bank accounts and bear interest at prevailing market rates. The Group has reclassified the client's monies as restricted bank balances and recognised the corresponding deposits received in other payables. However, the Group is not permitted to use these monies to settle its own obligations and currently does not have an enforceable right to offset those payables with the deposits placed.

11. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade payables		
– aged within 30 days	**85,403**	124,917
– aged over 30 days	**220,814**	13,560
	306,217	138,477
Other payables and accrued expenses	**62,658**	54,196
Deposits received for using the silver exchange platform	**275,883**	339,511
Amount due to 上海華通白銀國際交易中心有限公司 ("Huatong International") *(note)*	**19,946**	20,446
Dividend payable	**–**	3,834
Value-added tax and other taxes payables	**46,933**	48,774
	711,637	605,238

note: The amount was non-trade in nature, unsecured, interest-free and repayable on demand.

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 2017 increased significantly because customer receipts in advance were reclassified as contract liabilities since 1 January 2018.

12. BANK BORROWINGS

During the current interim period, the Group repaid bank borrowings of RMB110,000,000 (six months ended 30 June 2017: Nil) and obtained new bank borrowings of RMB29,000,000 (six months ended 30 June 2017: Nil).

Bank borrowings of RMB29,000,000 (31 December 2017: RMB110,000,000) carry interest at a fixed rate of 7.20% (31 December 2017: 6.53%) per annum and were secured by certain of the Group's assets as set out in note 15.

13. SHARE CAPITAL

	Number of shares	Share capital	
		HK$'000	RMB'000
Ordinary share of HK$0.01 each:			
Authorised			
At 1 January 2017, 31 December 2017 and 30 June 2018	3,000,000,000	30,000	24,386
Issued			
At 1 January 2017	1,463,346,589	14,634	11,821
Placing of new shares *(note i)*	13,800,000	138	122
Issue of new shares on acquisition of subsidiaries *(note ii)*	137,500,000	1,375	1,223
Exercise of share options *(note iii)*	700,000	7	6
At 30 June 2017	1,615,346,589	16,154	13,172
At 1 January 2018	1,623,724,589	16,237	13,242
Exercise of share options *(note iv)*	476,000	5	4
At 30 June 2018	1,624,200,589	16,242	13,246

13. SHARE CAPITAL (Continued)

notes:

(i) During the six months ended 30 June 2017, the Company allocated and issued 13,800,000 placing shares of par value HK$0.01 each on 23 February 2017 at the placing price of HK$1.51 per share. The net proceeds from the placing are to be applied for the Group's general working capital.

(ii) During the six months ended 30 June 2017, 137,500,000 new ordinary shares of par value HK$0.01 each of the Company were issued on 11 April 2017 as the final consideration in acquiring 75% equity interest in 華通鉑銀交易市場有限公司 ("Shanghai Huatong"). Details are set out in the Group's annual financial statements for the year ended 31 December 2017. The fair value of the shares issued determined using the published price available at the date of issuance of acquisition approximated RMB187,057,000, of which RMB1,223,000 was credited to share capital and the remaining balance of RMB185,834,000 was credited to the share premium account.

(iii) During the six months ended 30 June 2017, certain share options were exercised by holders to subscribe for 700,000 shares of the Company. The share option exercise price for those options was HK$0.96 per share.

(iv) During the current interim period, certain share options were exercised by holders to subscribe for 476,000 shares of the Company. The share option exercise price for those options was HK$1.97 per share.

14. CHANGES IN THE GROUP'S OWNERSHIP INTEREST IN A SUBSIDIARY

CSMall BVI

In January 2017, CSMall BVI issued 58,000,000 shares to an independent third party at a total consideration of RMB73,080,000, of which RMB7,164,000 had been received in 2016, reducing the Group's continuing interest to 60.07%. An amount of RMB18,659,000 (being the proportionate share of the carrying amount of the net assets of CSMall BVI) has been transferred to non-controlling interests. The difference of RMB54,303,000 between the increase in the non-controlling interests and the consideration received has been credited to capital reserve.

CSMall Group

On 13 March 2018, the Group completed the spin-off and separate listing of CSMall Group on the Main Board of the Stock Exchange. On the same day, CSMall Group 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 cash received by the Company was RMB355,795,000. An amount of RMB260,536,000 (being the proportionate share of the carrying amount of the net assets value of CSMall Group) has been transferred to non-controlling interests. The difference of RMB95,259,000 between the increase in the non-controlling interests and the consideration received has been credited to capital reserve. As at the date of this report, the Company does not lose control and held approximately 47.46% interest in the issued share capital of CSMall Group.

15. PLEDGE OF ASSETS

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Buildings	**54,942**	56,725
Prepaid lease payments – land use rights	**17,914**	7,726
Inventories	**–**	564,610
	72,856	629,061

16. RELATED PARTY DISCLOSURES

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	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term benefits	**6,607**	4,640
Post-employment benefits	**38**	38
Share-based payments	**1**	1,490
	6,646	6,168

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Financial assets	Fair value as at 30 June 2018 and 31 December 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets at fair value through other comprehensive income	18% equity investment in Huatong International engaged in the provision of trading platform and related supportive service for trading of precious metals – RMB$8,963,000	Level 3	Adjusted net assets approach – in this approach, the share of the net asset value has used to capture the present value of the expected future economic benefits to be derived from the ownership of the investee	Adjusted net asset value of the investee

18. EVENT AFTER 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.