金猫银猫 CSmall

金貓銀貓集團有限公司
CSMall Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code：1815

Annual Report 2018

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

COMPANY SECRETARY

Chan Sau Ling (陳秀玲) (FCIS, FCS(PE))

AUTHORISED REPRESENTATIVES

Chen He
Chan Sau Ling

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

CORPORATE INFORMATION

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.csmall.com

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
1815

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISORS

Hong Kong law:

Sullivan & Cromwell (Hong Kong) LLP

Cayman Islands law:

Ogier

INVESTORS AND MEDIA RELATIONS

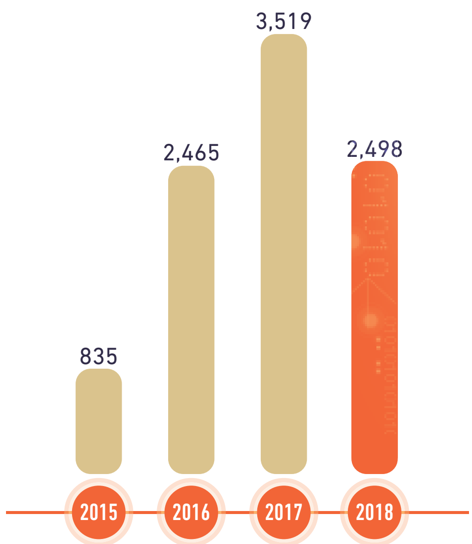
Hill and Knowlton Strategies

COMPLIANCE ADVISER

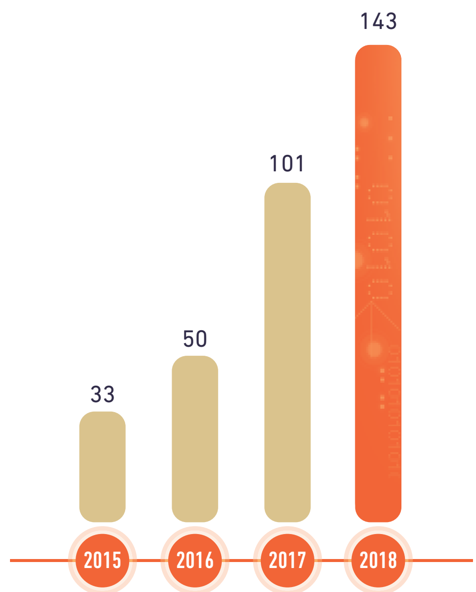
Halcyon Capital Limited

FINANCIAL HIGHLIGHTS

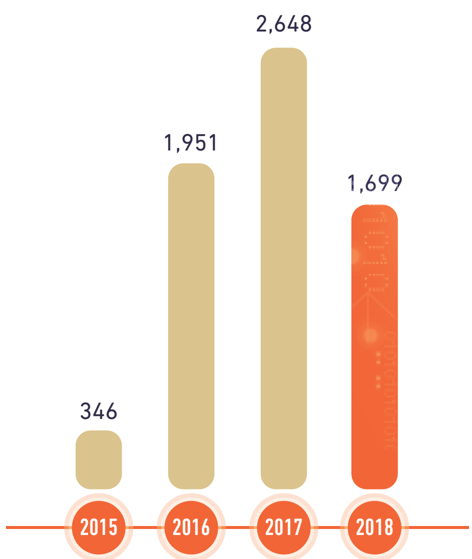
Consolidated Revenue
RMB million



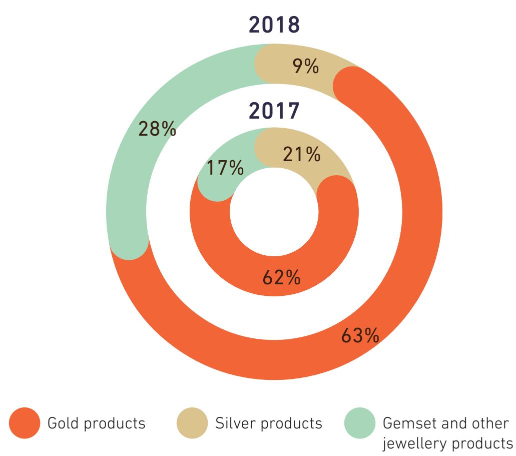
Profit for the year
RMB million



Revenue from Online Sales Channels
RMB million



Gross Profit Contribution by Product Category



OUR MILESTONES

2018

Became an executive vice president unit (常務副會長單位) of the Silver Branch under the Gems & Jewelry Trade Association of China (中國珠寶玉石首飾行業協會白銀分會)

Established the Gold and Jewellery Big Data Professional Committee (黃金珠寶大數據專業委員會) under the Shenzhen Big Data Research and Application Association (深圳市大數據研究與應用協會)

Developed Baiyin Town (白銀小鎮), a demonstration site of incorporating jewellery business into cultural tourism

Mar 2018

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

Future

Leading integrated online and offline Internet-based jewellery retailer in the People's Republic of China (the "**PRC**")

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)

2015

Mobile website m.csmall.com was launched

Mobile app 金貓銀貓 CSmall was launched

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

SELECTED BRANDS AND PRODUCTS










CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of CSMall Group Limited (the "**Company**"), I am pleased to present the annual results of the Company and its subsidiaries (collectively the "**Group**" or "**we**") for the financial year of 2018.

BUSINESS REVIEW

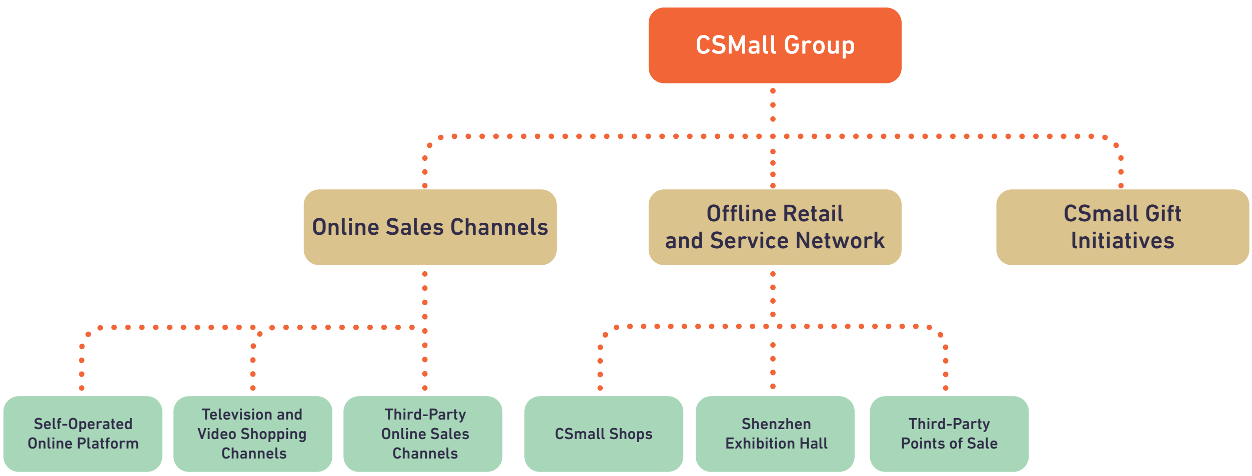
The Group completed its global offering and listing on the Main Board of the Stock Exchange (the "**Global Offering**") on 13 March 2018 (the "**Listing Date**"). During the year, we maintained our market leadership in the integrated online and offline jewellery retailing business.

Leveraging our innovative business model, our business has continued to grow rapidly since 2014. As a result of the persistent improvement and expansion of our product mix, we have been able to substantially improve our margins. Despite a drop in revenues due to the market environment and changes in our sales strategy, the optimization of sales strategy and improvement of operational efficiency have enhanced the Company's profitability. Increased margins have resulted in a 41.3% rise in profit for the year compared to that in 2017. Profit attributable to owners of the Company reached RMB143 million for the year.

CHAIRMAN'S STATEMENT

Through the adjustment of sales strategy, we are determined to develop diversified products and provide customers with more choices. Our original focus of sales was low-margin gold bars which attracted customers but led to a low overall profit margin so we recalibrated this tactic and shifted to the sale of diversified product groups and promote high-margin jewellery, resulting in significant growth of our overall profit for the whole year. In the past years, for the sake of expanding its customer base and quickly gaining more market share, the Group had vigorously promoted the sale of gold bars with competitive prices. However, the gross profit margin of gold bar products was inherently low, which, together with our substantially discounted sales prices meant to attract customers and tap into the market, resulted in an even much lower gross profit margin. After the large-scale promotion in the past years, which gained us a firm footing in the market and successfully attracted a large number of customers, the Group began to adjust its sales strategy this year to reduce the scale of discount sale of low-margin gold bars and to increase the overall sales volume of high-margin silver products, thus effectively improving the Group's overall profit margin.

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, jewels and gemstones, silverwares and other collectibles.



Online Sales Channels

(i) Self-operated online platform

As of 31 December 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 9.7 million, with over 850 million aggregate page views (PV), 210 million unique visitors (UV) and 127 million internet protocols (IP). As at 31 December 2018, the platform carried an aggregate of 192 self-owned and third-party brands which offers a comprehensive range of products to customers.

(ii) Television and video shopping channels

As of 31 December 2018, we cooperated with a total of 22 television and video shopping channels to promote and sell our jewellery products and become a core supplier of gold, silver and jewellery category of all top television channels, which enabled us to achieve satisfactory sales performance. With a daily coverage of over 100 million home viewers in the PRC, our brand awareness among Chinese viewers of television and video shopping channels was enhanced substantially.

(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.

CHAIRMAN'S STATEMENT

Offline Retail and Service Network

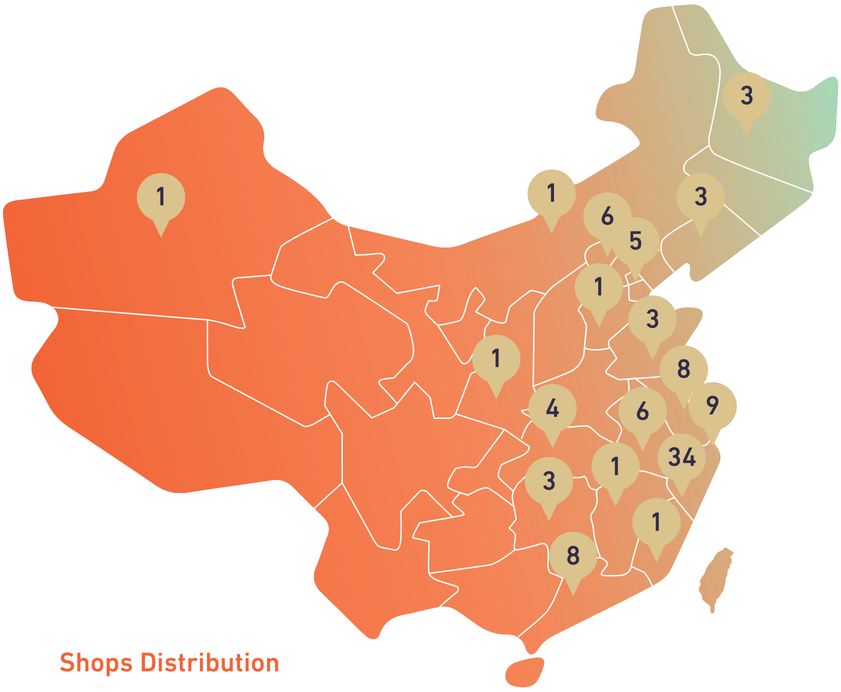
(i) CSmall Shops

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

As of 31 December 2018, we had 98 CSmall Shops located in 18 provinces and municipalities in the PRC, consisting of 15 self-operated CSmall Shops and 83 franchised CSmall Shops with presence in Anhui, Beijing, Fujian, Guangdong, Hebei, Heilongjiang, Hubei, Hunan, Inner Mongolia, Jiangsu, Jiangxi, Liaoning, Shaanxi, Shandong, Shanghai, Tianjin, Xinjiang and Zhejiang.

(ii) Shenzhen Exhibition Hall

We sell products at 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.



Shops Distribution

34 in Zhejiang
9 in Shanghai
8 in Guangdong
8 in Jiangsu
6 in Anhui
6 in Beijing
5 in Tianjin
4 in Hubei
3 in Heilongjiang

3 in Hunan
3 in Liaoning
3 in Shandong
1 in Fujian
1 in Hebei
1 in Inner Mongolia
1 in Jiangxi
1 in Shaanxi
1 in Xinjiang

Photos of CSmall Shops

(iii) **Third-party offline points of sale**

We also distribute our jewellery products and provide product customization service through various third-party offline points of sale, which are certain commercial banks we cooperated with. Meanwhile, we cooperate with branded retailers, entertainment service providers, commercial banks, telecommunications service providers and insurance companies through our innovative business model, namely CSmall Gift.

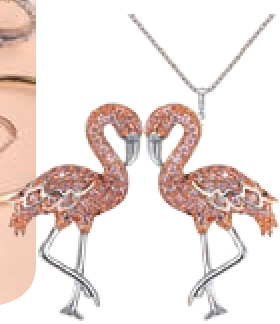
CHAIRMAN'S STATEMENT

New retailing model

We integrated our online and offline jewellery sales channels and developed a new jewellery retailing model to offer multi-dimensional one-stop shopping experience to customers under our business philosophy of "turning jewellery into accessory, blending silverware into daily life, injecting artistic creativity into products, and intelligentizing service".

(i) Turning jewellery into accessory

With the rise of young customers and the heightening of spending level, jewellery is becoming more fashionable and personalized. 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 growing demand for affordable jewellery products in the PRC.



(ii) Blending silverware into daily life

Practical silver products such as tableware, tea sets and wineware have become another mainstream development trend in the precious metal gift market. We have strengthened the design and research and development of silver gift products to produce more refined and practical silverwares with the aim of truly integrating precious metal gifts into people's daily lives.

(iii) Injecting artistic creativity into products

As the cultural and creative industries are gradually developing into a new economic category with great potential in the PRC, related products are springing up like mushrooms. We have recruited more outstanding designers and maintained cooperation with design associations to explore cultural resources in order to create more products with cultural heritage and artistic elements. We also promote cultural and creative handicraft in collaboration with communities and tourist attractions. Meanwhile, the Group has made significant investments in Baiyin Town, which can lay an important foundation for the Group to strengthen its new integrated online and office retail platform by building a demonstration site of incorporating jewellery business into cultural tourism, as well as a production and incubation base for jewellery retailing.

(iv) Intelligentizing service

One of the subsidiaries of the Group, Shenzhen Yunpeng Software Development Company Limited (深圳雲鵬軟件開發有限公司), was honourably awarded the National High-Tech Enterprise Qualification in 2018. Our robust technical R&D team has created a smart marketing decision support system for jewellery industry. Big data analysis not only allows us to understand customer behaviors and preferences, but also equips us with insight into our operations and business strategies, helping to provide consumers with enhanced shopping experience and better products.

CHAIRMAN'S STATEMENT

PROSPECTS

Looking ahead, we are confident about the future jewellery market in the PRC.

In recent years, as the marginal utility effect of the "internet dividend" gradually diminished, major internet enterprises have turned their attention to the offline market and the "new retailing" sector has become a key area for internet giants to compete in. The changes in Chinese consumer's shopping habits require the support of offline service outlets, and the trial and service functions of offline jewellery outlets are particularly important for the shopping experience. With the rapid growth of the Group's customer base, adapting to the service needs of customers and strengthening their offline experience and our service network have become the top priority of the Group's strategy of setting up new integrated online and offline retail platforms in the future. To this end, the Group will make appropriate adjustments to its future strategy by investing more resources in the offline retail service network and creating a new integrated online and offline retail platform that will better meet customers' needs and render a better consumer experience based on our strong network of offline retail service.

Unlike traditional jewellery retail brands or platforms, our strategy is to integrate, optimize and empower traditional jewellery retail franchisees by leveraging the comprehensive advantages of platforms, technologies, supply chains and a new integrated online and offline retail platform. We seek to utilize complementary advantages, promote mutual benefits and attain development together for the overall growth of the jewellery industry. We plan to introduce renowned companies or entrepreneurs in the jewellery industry as strategic investors, combining the strength of the mighty ones to consolidate the traditional jewellery market and fortify the strategic layout of new offline retail. On the other hand, we are also taking advantage of Baiyin Town in which the Group has made significant investments to establish a brand foothold of jewellery industry in the cultural tourism market.

Looking ahead, we will strengthen the offline retail service network layout by empowering jewellery retailers to consolidate the traditional jewellery market. We expect the number of the Group's offline retail service stores to expand rapidly to 500-1,000 in 2019, establishing an offline retail service network that is 5-10 times bigger as compared with that in 2018. We shall also continue to maintain rapid expansion in 2020 and beyond, laying a solid foundation for the Group to implement its new integrated online and offline jewellery retail strategy.

On behalf of the board of directors of the Company (the "**Board**", its member(s), the "**Director(s)**"), I would like to take this opportunity to thank our staff, shareholders, customers and business partners for their contribution and support to the Group!

Chen He
Chairman

Hong Kong, 28 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The revenue of the Group for the year ended 31 December 2018 was approximately RMB2.50 billion (2017: RMB3.52 billion), representing a decrease of approximately 29.0% from that of 2017.

	2018		2017	
	Revenue *(RMB'000)*	% of revenue	Revenue *(RMB'000)*	% of revenue
Online Sales Channels				
Self-operated online platform	**1,157,075**	**46.3%**	2,388,972	67.9%
Third-party online sales channels	**541,975**	**21.7%**	259,380	7.3%
	1,699,050	**68.0%**	2,648,352	75.2%
Offline Sales and Service Network				
CSmall Shops	**660,560**	**26.5%**	595,586	16.9%
Shenzhen Exhibition Hall	**47,072**	**1.9%**	248,363	7.1%
Third-party offline points of sale	**8,154**	**0.3%**	7,317	0.2%
	715,786	**28.7%**	851,266	24.2%
CSmall Gift Initiatives	**83,013**	**3.3%**	19,963	0.6%
Total	**2,497,849**	**100%**	3,519,581	100%

MANAGEMENT DISCUSSION AND ANALYSIS

Online Sales Channels

During 2018, the online sales channels recorded sales of RMB1,699.0 million (2017: RMB2,648.3 million), representing a decrease of approximately 35.8%, as we adjusted our sales strategy from the sale of low-margin gold bars to the sale of a more diverse product offering and the promotion of high-margin jewellery.

Offline Sales and Service Network

During the year, the offline sales and service network recorded sales of RMB715.8 million (2017: RMB851.3 million), representing a decrease of approximately 15.9%, mainly due to the sales strategy to reduce the scale of discount sale of low-margin gold bars and increase the overall sales volume of high-margin silver products.

CSmall Gift Initiatives

Through our innovative business model of third-party offline points of sales, our CSmall Gift concept started growing and the revenue from our CSmall Gift initiatives for the year ended 31 December 2018 was RMB83.0 million (2017: RMB20.0 million).

COST OF SALES AND SERVICES PROVIDED

Cost of sales decreased from RMB3,268.2 million to RMB2,182.6 million in 2018, which was generally attribute to the decrease in the cost of purchasing gold bars under the new sales strategy.

GROSS PROFIT AND GROSS PROFIT MARGIN

We recorded gross profit of RMB315.2 million (2017: RMB251.2 million) for the year ended 31 December 2018, an increase of approximately 25.4% as compared to that of 2017, which was mainly attributable to the new sales strategy by high-margin silver products. The overall gross profit margin increased from 7.1% to 12.6% primarily attributable to a change in product mix, with the proportion of sales of low margin first-hard gold bars as a percentage of total revenue decreasing from 42.3% for the year ended 31 December 2017 to 10.2% for the year ended 31 December 2018.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 33.3% from RMB51.3 million to RMB68.4 million for the year ended 31 December 2018. The increase was mainly due to the increase in staff cost during 2018.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 15.9% from RMB41.7 million to RMB48.4 million for year ended 31 December 2018 primarily as a result of the increase of system maintenance fee for the Group's self-operated online platform.

OTHER EXPENSES

Other expenses mainly represent the donation of RMB10 million to a museum which aims to promote silver products in the PRC, namely Jingning She Autonomous County Sheyin Museum (景寧畬族自治縣畬銀博物館), pursuant to a co-operation agreement entered into between the Group and the People's Government of the Jingning She Autonomous County (景寧畬族自治縣人民政府) regarding the museum.

INCOME TAX EXPENSE

The amount increased primarily due to the increase in profit before tax. The effective tax rate decreased from 27.6% for the year ended 31 December 2017 to 27.4% for the year ended 31 December 2018 mainly due to the deferred taxation during the year.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company increased significantly from RMB101.3 million to RMB142.7 million for the year ended 31 December 2018 mainly due to the increase in gross profit and other income.

INVENTORIES, TRADE RECEIVABLES AND TRADE PAYABLES TURNOVER CYCLE

The Group's inventories mainly comprise gold bars, silver bars and jewellery products. For the year ended 31 December 2018, inventory turnover days were approximately 61.2 days (for the year ended 31 December 2017: 38.3 days) mainly as a result of the rapid expansion of our business and change of product mix.

The turnover days for trade receivables for the year ended 31 December 2018 were approximately 18.6 days (for the year ended 31 December 2017: 4.9 days) mainly due to the changes of customer portfolio.

The turnover days for trade payables for the year ended 31 December 2018 were approximately 31.4 days (for the year ended 31 December 2017: 7.9 days) mainly due to changes of supplier portfolio as a result of the decrease in the purchase of materials relating to first-hand gold bars for sale.

BORROWINGS

Save as aforesaid and apart from intra-group liabilities, as of 31 December 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 year ended 31 December 2018, the Group invested RMB7.9 million in property, plant and equipment (2017: RMB5.3 million) and paid RMB132.5 million for deposits paid on acquisition of a land use right.

EMPLOYEES

As of 31 December 2018, the Group employed 353 staff members and the total remuneration for the year ended 31 December 2018 amounted to RMB45.4 million (2017: RMB36.3 million). The Group's remuneration packages are in line with the current legislation in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the period under review. The Group was principally financed by internal resources. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. As of 31 December 2018, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB269.8 million (as of 31 December 2017: RMB338.0 million), RMB1,063.4 million (as of 31 December 2017: RMB324.2 million) and RMB1,220.0 million (as of 31 December 2017: RMB346.2 million), respectively. As of 31 December 2018, the Group did not have bank borrowings and hence had no applicable gearing ratio.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds received from the Global Offering amounted to RMB329.3 million, net of underwriting commission and all related expenses. The net proceeds have been and will continue to be used in a manner consistent with that set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 28 February 2018 (the "**Prospectus**").

The net proceeds received from the Global Offering has been used as follows during the period from the Listing Date to 31 December 2018:

	Net proceeds received from the Global Offering RMB million	Used during financial year 2018 RMB million	Unused Amount RMB million
Implement the CSmall Gift initiatives and other crossover marketing initiatives	132.7	87.7	45.0
Upgrade the IT systems and enhance the interface of self-operated online jewellery platform	49.2	16.1	33.1
Develop offline sales and service network	32.1	15.9	16.2
Upgrade the IT infrastructure and data management systems	32.9	3.1	29.8
Expand in-house design team and expand the warehouse and upgrade our order fulfilment facilities commensurate with the business needs	32.9	3.1	29.8
Brand development and targeted marketing campaigns	32.9	15.4	17.5
Working capital and other general corporate purposes	16.6	16.6	0.0
Total	**329.3**	**157.9**	**171.4**

The Group mainly holds unused net proceeds as short-term deposits or time deposits with licensed banks and accredited financial institutions in the PRC or Hong Kong.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

On 23 August 2018, a bid-winning confirmation letter was entered into by Huzhou Baiyin Property Co., Ltd. (湖州白銀置業有限公司), an indirect wholly-owned subsidiary of the Company, with Huzhou Municipal Bureau of Land and Resources (湖州市國土資源局) in relation to our preferred bid for the land use rights over a land parcel in Huzhou, Zhejiang, the PRC. Subsequently, on 3 September 2018, an assignment contract in relation to the acquisition of the said land use rights was entered into by the said parties. Further details of the said arrangements are set out in the announcements of the Company dated 23 August 2018 and 3 September 2018. Completion of the said acquisition of land use rights had not taken place as of 31 December 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 year.

DIVIDEND

No final dividend for the year ended 31 December 2018 was proposed.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 29 May 2019 to Monday, 3 June 2019 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the annual general meeting to be held on Monday, 3 June 2019, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 28 May 2019 for registration of transfer.

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. CHEN He (陳和), aged 34, is our Chairman, executive Director and co-CEO. Mr. Chen was appointed as an executive Director in February 2017. Mr. Chen joined the Group as a co-deputy general manager of Shenzhen Guoyintongbao Company Limited (深圳國銀通寶有限公司) ("**Shenzhen Guoyintongbao**") in October 2013, and has been serving as a president of the Group since July 2015. Mr. Chen has been the driving force behind our development, growth and expansion and is primarily responsible for the overall management of our Group and for directing strategic developments and business plans of our Group. Mr. Chen is currently a director of several of our principal operating subsidiaries, namely Shenzhen Guoyintongbao, Shenzhen Guojintongbao Company Limited (深圳國金通寶有限公司), Jingning Sheyin Culture Company Limited (景寧畲銀文化有限公司) and Baiyin Town (Shanghai) Cultural Industry Company Limited (白銀小鎮(上海)文化產業有限公司) ("**Baiyin Town**").

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

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

Mr. ZHANG Jinpeng (張金鵬), aged 38, was appointed as our executive Director in February 2017. Mr. Zhang has been the co-CEO and president of the Group since December 2016. Mr. Zhang joined the Group in October 2013, where he then served as the co-deputy general manager of the Group till November 2016. Mr. Zhang is primarily responsible for managing the technology centre and market centre of the Group. He is also responsible for online business operations and the management of the Group.

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

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

BIOGRAPHIES OF DIRECTORS

Mr. QIAN Pengcheng (錢鵬程), aged 35, was appointed as our executive Director in February 2017. He has also been the financial manager of the Group since he joined the Group in October 2013. Mr. Qian is responsible for managing the financial department of the Group. Prior to joining the Group, Mr. Qian worked as a financial clerk at Longtianyong, from January 2006 to December 2010, and served as the financial supervisor of Longtianyong from January 2011 to September 2013.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FU Lui (府磊), aged 38, was appointed as the independent non-executive Director of the Company in March 2018. Mr. Fu is primarily responsible for supervising and providing independent judgment and analysis to the Board. Mr. Fu has over 14 years of experience in accounting and financial management. He is the financial controller and company secretary of China Uptown Group Company Limited (a company listed on the Main Board of the Stock Exchange, code: 2330) since July 2010. He is also an independent non-executive director and the chairman of the audit committee of Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited, which changed its name on 3 December 2018) (a company listed on the Main Board of the Stock Exchange, code: 1573) since June 2016.

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

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

Mr. HU Qilin, aged 48, was appointed as the independent non-executive Director of the Company in March 2018. Mr. Hu is primarily responsible for supervising and providing independent judgment and analysis to the Board. Mr. Hu has substantial experience in the area of Internet finance, corporate management and operations. He has served as the general manager of BaiduPay Science and Technology Co., Ltd., a subsidiary of Baidu, in Beijing, the PRC from August 2016 till January 2017. Mr. Hu has served as an Investment Partner of Sequoia Capital Consulting (Beijing) Co., Ltd. since March 2017.

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

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

Mr. ZHANG Zuhui (張祖輝), aged 46, was appointed as the independent non-executive Director of the Company in March 2018. Mr. Zhang is responsible for supervising and providing independent judgment and analysis to the Board.

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

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

CORPORATE GOVERNANCE REPORT

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Since the Listing Date and up to 31 December 2018 (the "**Review Period**"), the Company has complied with the code provisions under the CG 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 many years since he joined the Group in 2013. He has been the driving force behind our development, growth and expansion and is primarily responsible for the overall management of the Group and for directing strategic developments and business plans of the Group. In light of the above, all of the Directors consider Mr. Chen to be the best candidate for both positions and that such arrangement is beneficial to and in the best interests of the Group and the shareholders of the Company as a whole.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company.

Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the Review Period.

BOARD OF DIRECTORS

(i) Board Composition

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

Executive Directors

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

Independent non-executive Directors

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

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

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

(ii) Board Functions and Duties

The principal functions and duties conferred to the Board include:

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

(iii) Management Functions and Duties

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

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

(iv) Board Meetings

During the Review Period, there were 4 board meetings held, at which the Directors approved, among other things, the annual results of the Group for the year ended 31 December 2017 and the interim results of the Group for the six months ended 30 June 2018.

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

(v) Attendance Record

The following is the attendance record of the Directors at board meetings and the annual general meeting of the Company during the Review Period:

	Attendance/Number of Meetings	
	Board meetings	Annual general meeting
Executive Directors		
Mr. Chen He (Chairman)	4/4	1/1
Mr. Zhang Jinpeng	4/4	1/1
Mr. Qian Pengcheng	4/4	1/1
Independent non-executive Directors		
Mr. Fu Lui	4/4	1/1
Mr. Hu Qilin	4/4	1/1
Mr. Zhang Zuhui	4/4	1/1

(vi) Independent Non-executive Directors

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

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

(vii) Appointment and Re-election of Directors

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

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

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

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

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

(viii) Directors' Remuneration

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

CORPORATE GOVERNANCE REPORT

(ix) Board Diversity

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development.

Pursuant to the Board Diversity Policy, the composition, structure and size of the Board are reviewed at least annually by the Nomination Committee to ensure that it has a balance of appropriate skills, experience and diversity of perspectives to meet the needs of the business of the Group. In relation to reviewing and assessing the Board composition, the Nomination Committee will consider a number of aspects, including but not limited to professional qualifications, regional and industry experience, cultural and educational background, skills, industry knowledge and reputation, gender, ethnicity, language skills and length of service.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Members of the Board have a diverse range of business, financial and professional expertise. Brief biographical details of the Directors are set out in the section headed "Biographies of Directors" in this annual report.

(x) Director Nomination

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

The Company has adopted a director nomination policy (the "**Director Nomination Policy**") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

(xi) Directors' Continuous Training and Development

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

AUDIT COMMITTEE

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

During the Review Period, the Audit Committee held 2 meetings. The members of Audit Committee reviewed and discussed with the external auditors of the Company the Group's audited consolidated financial statements for the year ended 31 December 2017 and condensed consolidated financial statements for the six months ended 30 June 2018. They were of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made. Additional meeting may also be held by the Audit Committee from time to time to discuss special projects or other issues which it considers necessary. The external auditors of the Group may request a meeting of the Audit Committee to be convened if they consider that is necessary.

The main duties of the Audit Committee are as follows:

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

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

	Attendance at meetings
Mr. Fu Lui (Chairman)	2/2
Mr. Hu Qilin	2/2
Mr. Zhang Zuhui	2/2

AUDITOR'S REMUNERATION

For the year ended 31 December 2018, the total fee paid/payable in respect of audit services to the external auditor of the Group, Deloitte Touche Tohmatsu, was approximately RMB1,523,000. In addition, approximately RMB414,589 was charged for non-audit services.

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

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

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

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 51 to 55.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

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

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

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

During the Review Period, the Audit Committee carried out a review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions and discussed with the internal audit team on the effectiveness and adequacy of the Company's system and procedures. The Board and the Audit Committee considered that the risk management and internal control systems of the Group were adequate and effective for the Review Period.

NOMINATION COMMITTEE

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

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

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board Diversity Policy, including but not limited to professional qualifications, regional and industry experience, cultural and educational background, skills, industry knowledge and reputation, gender, ethnicity, language skills and length of service. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

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

During the Review Period, the Nomination Committee held 1 meeting. The members of Nomination Committee reviewed and discussed the current structure, size and composition of the Board and the remuneration of the senior management.

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

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

REMUNERATION COMMITTEE

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

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

EMOLUMENT POLICIES AND REMUNERATION COMMITTEE

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

During the Review Period, the Remuneration Committee held 1 meeting. The members of Remuneration Committee reviewed and discussed the policies for the remuneration of executive Directors, the performances of executive Directors during the Review Period.

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

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

Details of the remuneration of the senior management by band are set out below:

	2018 Number of individuals
Not exceeding HK$1,000,000	1
HK$2,500,001 – HK$3,000,000	1

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

During the Review Period, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

MEETING WITH INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. Chan Sau Ling from Tricor Services Limited, being an external service provider, is acting as the company secretary of the Company. Mr. Chen He, the Chairman of the Board, is her primary contact person.

Mr. Lee Jackie Kai Yat and Mr. Wong Yat Sum, the former joint company secretaries of the Company, resigned on 1 February 2019. On the same day, Ms. Chan Sau Ling was appointed as the company secretary of the Company. For details of the aforesaid changes, please refer to the announcement of the Company published on 31 January 2019.

During the year ended 31 December 2018, Ms. Chan Sau Ling undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules while serving other listed companies.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

THE WAY BY WHICH SHAREHOLDERS CAN CONVENE AN EXTRAORDINARY GENERAL MEETING

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

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

The request will be verified with the Company's share registrars and upon their confirmation that the request is proper and in order, the Board will call an extraordinary general meeting for the transaction of any business specified in such requisition.

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

THE PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

The enquiries must be in writing with contact information of the requisitionists for the attention of the Directors or management of the Company, by email: CSmall@hkstrategies.com, by fax: (852) 2576 1990, or mail to the Company's principal place of business in Hong Kong at Unit 1417, China Merchants Tower, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

THE PROCEDURES FOR MAKING PROPOSALS AT SHAREHOLDERS' MEETINGS

After the publication of the notice of a general meeting by the Company, according to Article 113 of the Articles of Association, if a shareholder of the Company wishes to propose a person (the "**Candidate**") for election as a Director at a general meeting, he/she shall deposit a written notice (the "**Notice**") at the Company's head office at 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, the PRC or principal place of business in Hong Kong at Unit 1417, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong or at the office of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The Notice (a) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (b) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information. The period for lodgement of the Notice shall commence on the day after the despatch of the notice of general meeting and end no later than seven days prior to the date of such general meeting. In order to allow the Company's shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, shareholders who wish to make the proposal are urged to submit and lodge the Notice as early as practicable before the relevant general meeting.

POLICY RELATING TO SHAREHOLDERS

The Company has in place a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed.

The Company has adopted a dividend policy (the "**Dividend Policy**") on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board for a financial year or period and any final dividend for a financial year will be subject to the shareholders' approval. Such details have been disclosed in the annual report of the Company.

CONSTITUTIONAL DOCUMENTS

The Company has adopted an amended and restated memorandum and articles of association of the Company with effect from the Listing Date pursuant to a special resolution passed on 13 February 2018. Save as disclosed above, there was no change in the Articles during the period from the Listing Date to 31 December 2018. An up to date version of the Company's memorandum and articles of association is also available on the Company's website and the Stock Exchange's website.

On behalf of the Board
Chen He
Chairman

Hong Kong, 28 March 2019

REPORT OF THE DIRECTORS

The directors of our Company (the "**Directors**") are pleased to report the audited consolidated financial statements of our Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion on the Group's future business development and an analysis of the Group's performance during the year ended 31 December 2018 using financial key performance indicators are provided in the sections headed "Chairman's Statement" on pages 7 to 14 and "Management Discussion and Analysis" on pages 15 to 20 of this annual report which form part of this report.

(i) Principal risks and uncertainties

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

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

(ii) Environmental policies and performance

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

(iii) Compliance with laws and regulations

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Company is aware, during the year ended 31 December 2018, there was no material breach of or non-compliance with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

REPORT OF THE DIRECTORS

(iv) Relationships with key stakeholders

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

(a) Employees

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

(b) Customers

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

(c) Suppliers

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

(d) Shareholders

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 56 of this report.

The Board has resolved not to recommend payment of a final dividend for the year ended 31 December 2018 (for the year ended 31 December 2017: Nil). No interim dividend has been declared for the year ended 31 December 2018.

FIVE YEARS' FINANCIAL SUMMARY

A financial summary of the Group for the last five years are set out on page 114 of this report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the Group's sales to its five largest customers and its largest customer accounted for 40.1% (2017: 58.3%) and 10.9% (2017: 42.3%) of the Group's total sales respectively.

For the year ended 31 December 2018, the Group's five largest suppliers and the largest supplier accounted for 71.8% (2017: 80.2%) and 23.6% (2017: 54.8%) of the Group's total purchases respectively.

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

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 23 to the consolidated financial statements.

REPORT OF THE DIRECTORS

RESERVES

Movements in reserves of the Group during the year ended 31 December 2018 are set out in page 58 of this report.

As of 31 December 2018, the reserves of our Company available for distribution to shareholders amounted to RMB982,197,000 (2017: RMB211,862,000).

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

BORROWINGS

The Group did not have bank borrowings as at 31 December 2018.

DIRECTORS

The Directors from the Listing Date and up to the date of this report are:

Executive Directors:

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

Independent Non-Executive Directors:

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

BOARD OF DIRECTORS

Biographical details of the Directors are set out on pages 21 to 23 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company, based on such confirmations, considers such Directors to be independent for the year ended 31 December 2018.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed in this report, no Director or entity connected with a Director had a material interest in, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its holdings companies, subsidiaries or fellow subsidiaries was a party and which subsisted at the end of or at any time during the year ended 31 December 2018.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

EMOLUMENT POLICY

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

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

Details of the emoluments of the Directors, chief executive and five highest paid individuals are set out in note 11 to the consolidated financial statements.

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

As at 31 December 2018, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code 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 is directly wholly owned by Mr. Chen He. Accordingly, Mr. Chen He is deemed to be interested in the 21,250,000 Shares held by Silver Apex by virtue of the SFO.

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

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

Save as disclosed above, as at 31 December 2018, none of the Directors, the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2018 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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

So far as known to the Directors, 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 31 December 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	Approximate percentage of shareholding
China Silver Group Limited ("**China Silver Group**")	Beneficial owner	500,000,033	47.46%
Blaze Loop Limited	Beneficial owner	166,025,000	15.76%
Mr. LIN Ting (林挺)[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. 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. Accordingly, each of Hardstone Investment Limited and Mr. Shi is deemed to be interested in the 58,000,000 Shares held by Best Conduct by virtue of the SFO.

Except as disclosed above, as at 31 December 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 OUR COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from the Listing Date to 31 December 2018.

PRE-EMPTIVE RIGHTS

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

NON-COMPETITION UNDERTAKING

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

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

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

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

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

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

China Silver Group has provided a written confirmation to the Company confirming that it has complied with the terms of the Deed of Non-Competition for the year ended 31 December 2018. The independent non-executive Directors have also reviewed the status of compliance by China Silver Group and confirmed that, as far as they can ascertain, China Silver Group has complied with the terms of the Deed of Non-Competition.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this report, as of 31 December 2018, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CONNECTED TRANSACTIONS

Details of the related party transactions during the year ended 31 December 2018 are set out in note 31 to the consolidated financial statements.

For the year ended 31 December 2018, the Company has also entered into certain continuing connected transactions with connected persons (as defined under the Listing Rules) which were not fully-exempted from reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules (the "**Non-fully Exempted Continuing Connected Transactions**"). Details of which are set out below.

We have, through our wholly owned subsidiaries, Shenzhen Guoyintongbao and Jiangxi Jiyin Company Limited (江西吉銀實業有限公司) ("**Jiangxi Jiyin**"), entered into a framework purchase agreement with Longtianyong on 19 February 2018 in relation to the sourcing of silver ingots and related raw materials from Longtianyong (the "**Framework Purchase Agreement**"). The annual cap for the year ended 31 December 2018 under the Framework Purchase Agreement was RMB420 million and the total amount of purchase under the Framework Purchase Agreement during the year ended 31 December 2018 was approximately RMB403.6 million.

The Non-fully Exempted Continuing Connected Transactions mentioned above have been reviewed by the Independent Non-executive Directors who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms;

(c) according to the relevant agreement governing the respective transactions on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(d) within the caps as set out in the Prospectus.

The Company's auditor was engaged to report on the Group's Non-fully Exempted Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the Non-fully Exempted Continuing Connected Transactions disclosed by the Company in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

CONTRACTUAL ARRANGEMENTS AND THEIR TERMINATION

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

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

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

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

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or requiring the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year ended 31 December 2018 or subsisted at the end of the year.

CHARITABLE DONATIONS

During the year ended 31 December 2018, the Group (i) made a charitable donation of HK$1 million in connection with the stock code balloting for the Listing; and (ii) made a charitable donation of RMB10 million to a museum which aims to promote silver products in the PRC, namely Jingning She Autonomous County Sheyin Museum (景寧畲族自治縣畲銀博物館), pursuant to a co-operation agreement entered into between the Group and the People's Government of the Jingning She Autonomous County (景寧畲族自治縣人民政府) regarding the museum (2017: Nil).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

We mainly operate in the PRC with most of the transactions settled in RMB and therefore have minimal exposure to foreign exchange risk. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will closely monitor such risk on an ongoing basis. For a detailed discussion, please refer to note 28(b) to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2018.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES AND SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct throughout the period from the Listing Date to 31 December 2018.

PERMITTED INDEMNITY PROVISION

Pursuant to article 191 of the Company's articles of associations, every Director is entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of the duties of his office or otherwise in relation thereto (except such is incurred or sustained through his own fraud or dishonesty). Such provision is currently in force as of the date of this report and was in force throughout the period from the Listing Date to 31 December 2018.

The Company has taken out and maintained appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company throughout the period from the Listing Date to 31 December 2018.

TAX RELIEF

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

CORPORATE GOVERNANCE

The Company is committed to the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 24 to 38 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board
Chen He
Chairman

Hong Kong, 28 March 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of CSMall Group Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 56 to 113, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on sales of first-hand gold bars with tailor-made specification to a specific customer	
We identified revenue recognition, in particular the revenue from sales of first-hand gold bars with tailor-made specification to a specific customer through the Group's online platform as a key audit matter due to its significance to the consolidated statement of profit or loss and other comprehensive income and the significant judgments involved in recognising revenue, principally in respect of whether the Group is acting as a principal or an agent. In determining whether the Group is acting as a principal or as an agent, it requires judgement and consideration of all relevant facts and circumstances. The Group would be acting as a principal when the Group has exposure to the significant risk and rewards associated with the sales of goods. As disclosed in Note 4 to the consolidated financial statements, the Group purchased first-hand gold bars from a supplier to manufacture the tailor-made gold bars through external original equipment manufacturing ("**OEM**") contractors, which the Group subsequently sold to this customer. The Group recognised revenue based on the agreed selling price when the gold bars are delivered and titles have passed to the customer. The management concluded the Group has exposure to the significant risk and rewards associated with the sale of first-hand gold bars with tailor-made specification to the specific customer after considering the key factors including the Group's primary responsibility for making the sales, the Group's exposure to inventory risks and the Group's latitude in establishing prices and conclude that the Group is acting as a principal. As set out in Note 5 to the consolidated financial statements, during the year ended 31 December 2018, the revenue generated from this customer was RMB255,778,000.	Our procedures in relation to revenue recognition on sales of first-hand gold bars with tailor-made specification to a specific customer included: • Reviewing the master agreement to obtain an understanding of the terms of the sales transactions, including rights and obligations of each of the contractual parties, the terms of delivery and acceptance, the establishment of prices to evaluate the Group's primary responsibility for making the sales, the Group's exposure to inventory risks and the Group's latitude in establishing prices; • Discussing with the management and checking the supporting documents, including work orders issued to OEM contractors, and purchase orders to understanding how the management fulfills customer orders and determines the selling price; and • Verifying whether the transactions were carried out in accordance with the master agreement by: – Inspecting the documents including pick up advices, work orders issued to OEM contractors and good receipt notes endorsed by the customer; and – Checking the purchase price, subcontracting fee and selling price, on a sample basis, to suppliers' invoices and sales invoices.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified valuation of inventories as a key audit matter due to the significance of balance to the consolidated financial statements and significant management's judgement involved in the valuation process. As explained in Note 4 to the consolidated financial statements, the management regularly reviews its inventory levels and ageing analysis to identify slow-moving inventories and estimates the net realisable value of all inventories based primarily on the current market conditions and subsequent selling price. Referring to Note 4 to the consolidated financial statements, the carrying amount of inventories in the consolidated statement of financial position as at 31 December 2018 amounted to RMB388,580,000, without any allowance being recognised.	Our procedures in relation to assessing the appropriateness of the valuation of the inventories included: • Obtaining an understanding of the Group's inventory provision policy and the management's processes in identifying slow-moving inventories; • Testing the accuracy of the ageing analysis prepared by the management, on a sample basis, by tracing to good receipt notes; • Assessing whether slow-moving inventories were properly identified after taking into account the current market condition and ageing analysis; and • Comparing the actual selling prices of finished goods subsequent to year end, on a sample basis, to their carrying amounts to check whether the finished goods are stated at the lower of cost and net realisable value.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	5	**2,497,849**	3,519,581
Cost of sales		**(2,182,667)**	(3,268,296)
Gross profit		**315,182**	251,285
Other income, gains and losses	7a	**19,612**	22
Impairment loss on financial assets	9	**(2,006)**	—
Selling and distribution expenses		**(48,363)**	(41,726)
Administrative expenses		**(68,404)**	(51,339)
Share of results of associates		**—**	(18)
Other expenses	7b	**(10,095)**	(81)
Listing expenses		**(9,285)**	(18,645)
Profit before tax		**196,641**	139,498
Income tax expense	8	**(53,964)**	(38,557)
Profit for the year	9	**142,677**	100,941
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**—**	(16)
Total comprehensive income for the year		**142,677**	100,925
Profit (loss) for the year attributable to:			
Owners of the Company		**142,677**	101,305
Non-controlling interests		**—**	(364)
		142,677	100,941
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**142,677**	101,289
Non-controlling interests		**—**	(364)
		142,677	100,925
Basic earnings per share (RMB)	12	**0.14**	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**14,987**	10,711
Intangible assets	14	**2,463**	4,351
Deferred tax assets	15	**1,140**	—
Deposits paid on acquisition of property, plant and equipment		**—**	6,920
Deposits paid on acquisition of a land use right	16	**138,043**	—
		156,633	21,982
CURRENT ASSETS			
Inventories	17	**388,580**	342,783
Trade and other receivables	18	**702,415**	201,962
Amount due from immediate holding company	19	**10,600**	522
Amount due from a fellow subsidiary	19	**898**	—
Amount due from a related company	19	**—**	30
Bank balances and cash	20	**269,007**	338,006
		1,371,500	883,303
CURRENT LIABILITIES			
Trade and other payables	21	**263,660**	158,255
Contract liabilities	22	**13,305**	—
Amount due to immediate holding company	19	**—**	380,228
Amounts due to fellow subsidiaries	19	**6,223**	3,273
Amounts due to related companies	19	**10,660**	760
Income tax payable		**14,250**	16,578
		308,098	559,094
NET CURRENT ASSETS		**1,063,402**	324,209
NET ASSETS		**1,220,035**	346,191
CAPITAL AND RESERVES			
Share capital	23	**711**	572
Reserves		**1,219,324**	345,619
TOTAL EQUITY		**1,220,035**	346,191

The consolidated financial statements on pages 56 to 113 were approved and authorised for issue by the board of directors on 28 March 2019 and are signed on its behalf by:

CHEN HE
DIRECTOR

ZHANG JINPENG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital/ paid-in 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 equity RMB'000
At 1 January 2017	516	–	2,480	161,994	3,690	24	4,052	172,756	48,598	221,354
Profit (loss) for the year	–	–	–	–	–	–	101,305	101,305	(364)	100,941
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(16)	–	(16)	–	(16)
Total comprehensive (expense) income for the year	–	–	–	–	–	(16)	101,305	101,289	(364)	100,925
Issue of shares	399	–	–	72,560	–	–	–	72,959	–	72,959
Arising from the group reorganisation (Note ii)	(343)	232,962	–	(232,619)	–	–	–	–	–	–
Net return to Longtianyong and FY Silver (Note iii)	–	–	–	–	–	–	(813)	(813)	–	(813)
Termination of a Structured Entity (Note 32)	–	–	–	–	–	–	–	–	(48,234)	(48,234)
Transfer	–	–	–	–	8,536	–	(8,536)	–	–	–
At 31 December 2017	572	232,962	2,480	1,935	12,226	8	96,008	346,191	–	346,191
Profit for the year	–	–	–	–	–	–	142,677	142,677	–	142,677
Total comprehensive income for the year	–	–	–	–	–	–	142,677	142,677	–	142,677
Issue of shares in the Public Offer (as defined in Note 23)	122	372,914	–	–	–	–	–	373,036	–	373,036
Transaction costs directly attributable to the issue of new shares	–	(17,241)	–	–	–	–	–	(17,241)	–	(17,241)
Loan capitalisation issue of shares (as defined in Note 23)	17	51,985	323,370	–	–	–	–	375,372	–	375,372
Transfer	–	–	–	–	10,398	–	(10,398)	–	–	–
At 31 December 2018	711	640,620	325,850	1,935	22,624	8	228,287	1,220,035	–	1,220,035

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 CSMall Group Limited BVI ("**CS Mall Group BVI**") to the Company pursuant to the group reorganisation details of which are as set out in Note 1.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**196,641**	139,498
Adjustments for:			
Depreciation of property, plant and equipment		**3,638**	2,368
Amortisation of intangible assets		**2,437**	2,747
Impairment loss on financial assets		**2,006**	—
Bank interest income		**(2,081)**	(1,248)
Share of results of associates		**—**	18
Gain on disposal of an associate		**—**	(18)
Gain on termination of a Structured Entity	32(b)	**—**	(3,656)
Operating cash flows before movements in working capital		**202,641**	139,709
(Increase) decrease in inventories		**(45,797)**	1,206
Increase in trade and other receivables		**(502,459)**	(114,632)
(Increase) decrease in amount due from a fellow subsidiary		**(898)**	34,303
Increase in trade and other payables		**107,654**	121,608
Increase in contract liabilities		**11,056**	—
Cash (used in) generated from operations		**(227,803)**	182,194
Income tax paid		**(57,432)**	(26,675)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(285,235)**	155,519

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES			
Deposit and other direct costs incurred on acquisition of a land use right		**(138,043)**	—
Advance to immediate holding company		**(10,600)**	(190)
Purchase of property, plant and equipment		**(994)**	(5,312)
Purchase of intangible assets		**(549)**	(12,338)
Interest received		**2,081**	1,248
Repayment from immediate holding company		**522**	16
Repayment from a related company		**30**	4,446
Deposits paid on acquisition of property, plant and equipment		**—**	(6,920)
Acquisition of an associate		**—**	(600)
Advance to a related company		**—**	(30)
Proceeds from termination of a Structured Entity	32(b)	**—**	947
Proceeds from disposal of an associate		**—**	600
NET CASH USED IN INVESTING ACTIVITIES		**(147,553)**	(18,133)
FINANCING ACTIVITIES			
Proceeds from issue of shares		**373,036**	65,795
Advance from a related company		**9,900**	60,032
Advance from fellow subsidiaries		**2,950**	7,382
Transaction cost directly attributable to the issued new shares		**(17,241)**	—
Repayment to immediate holding company		**(4,856)**	(5,021)
Advance from immediate holding company		**—**	20,341
Repayment to a related company		**—**	(64,382)
Repayment to a non-controlling shareholder of a subsidiary		**—**	(4,236)
Repayment to fellow subsidiaries		**—**	(4,176)
NET CASH FROM FINANCING ACTIVITIES		**363,789**	75,735
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(68,999)**	213,121
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**338,006**	124,901
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**—**	(16)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**269,007**	338,006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL, GROUP REORGANISATION AND BASIS OF PREPARATION

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

Pursuant to a 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 of Hong Kong Limited ("**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 consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2017 have been prepared as if the group structure under the Reorganisation had been in existence throughout the year or since its respective date of incorporation or establishment, whichever is the shorter period.

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

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

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

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

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year.

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

Except as disclosed below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") (Continued)

2.1 IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 "Revenue" 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 (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 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

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

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 5 and 3 respectively.

Summary of effects arising from initial application of IFRS 15

As at 1 January 2018, customer receipts in advance of RMB2,249,000 were reclassified to contract liabilities.

Without application of IFRS 15, contract liabilities of RMB13,305,000 would be classified as customer receipts in advance under trade and other payables as at 31 December 2018.

Impact on the Consolidated Statement of Cash Flows

	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 15 RMB'000
Included in operating activities			
Increase in trade and other payables	107,654	11,056	118,710
Increase in contract liabilities	11,056	(11,056)	—

Other than the reclassification of contract liabilities, the application of IFRS 15 has no material impact on the amounts reported in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

2.2 IFRS 9 "Financial Instruments"

In the current year, 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 under ECL model) 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.

Accordingly, certain comparative information may not be comparable as comparative information has prepared under IAS 39 "Financial Investments: Recognition and Measurement"

Accounting policies resulting from the application of IFRS 9 are disclosed in Note 3.

Summary of effects arising from initial application of IFRS 9

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. The application of IFRS 9 has had no material effect on classification and measurement of financial assets in these consolidated financial statements. 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 as the amount involved is insignificant.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[4]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2021
5 Effective for annual periods beginning on or after a date to be determined

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective (Continued)

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

IFRS 16 "Leases"

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

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB11,644,000 as disclosed in Note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB1,520,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issued but not yet effective (Continued)

IFRS 16 "Leases" (Continued)

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elects the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC - 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC - 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elects the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis at the end of reporting period, as explained in the accounting policies set out below.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

Non-controlling interest in subsidiaries are presented separately from the Group's equity therein, which represent ownership interests entitling their holders to appropriate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control

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

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

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

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 2)

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 or 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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue recognition (prior to 1 January 2018)

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

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

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

Service income is recognised when services are provided.

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

Lease

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Foreign currencies

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

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

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

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

Retirement benefit costs

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

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

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

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

Impairment of tangible and intangible assets

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

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

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

All other financial assets are subsequently measured at fair value.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance in Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade, refundable rental deposits, amount due from immediate holding company, amount due from a fellow subsidiary 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 is 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. The ECL on these assets that are credit-impaired or with significant outstanding balance is assessed individually. The ECL on the remaining balances is assessed 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.

(i) 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;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance in Note 2) (Continued)

(i) Significant increase in credit risk (Continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- 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.

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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance in Note 2) (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Past-due status; and
- Nature, size and industry of debtors;

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

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

Loans and receivables

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

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

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

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

Objective evidence of impairment could include:

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period ranging from 0 to 60 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (Continued)

In a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

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

The Group purchased first-hand gold bars from a supplier to manufacture the tailor-made gold bars through external original equipment manufacturing contractors and subsequently sold to a specific customer through the Group's online platform. The Group recognised revenue based on the agreed selling price when the gold bars are delivered and titles have passed to the customer. In determining whether the Group is acting as a principal or an agent, it requires judgement and consideration of all relevant facts and circumstances. The Group would be acting as a principal when it has exposure to the significant risks and rewards associated with the sales of goods. The management considers the key factors including the Group's primary responsibility for making the sales, the Group's exposure to inventory risks and the Group's latitude in establishing prices and concludes that the Group is acting as a principal. During the year ended 31 December 2018, revenue generated from this customer amounted to RMB255,778,000 (2017: RMB1,488,385,000).

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

Key sources of estimation uncertainty

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

Allowance for inventories

Inventories are valued at the lower of cost and net realisable value. The management regularly reviews its inventory levels and ageing analysis in order to identify slow-moving inventories. The management estimates the net realisable value of all inventories based primarily on the current market conditions and subsequent selling price. The Group makes allowance for inventory when the Group identifies items of inventories which have a net realisable value that is lower than its carrying amount. As at 31 December 2018, the carrying amount of inventories is RMB388,580,000 (2017: RMB342,783,000), without any allowance recognised on inventories.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for certain of its trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables that are credit-impaired or with significant outstanding balances are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the trade receivables and the Group's ECL are disclosed in Notes 18 and 28, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2018 RMB'000	2017 RMB'000
Sales of gold products, except for first-hand gold bars	**1,322,595**	1,256,151
Sales of first-hand gold bars	**255,778**	1,488,385
Sales of silver products	**695,095**	568,588
Sales of gem-set and other jewellery products	**196,151**	206,457
Sales of diamonds	**28,230**	—
	2,497,849	3,519,581
Geographical markets		
The PRC	**2,469,619**	3,519,581
Hong Kong	**28,230**	—
Total	**2,497,849**	3,519,581

All of the revenue are recognised at a point in time during the year ended 31 December 2018.

(ii) Performance obligations for contracts with customers

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

The Group sells gold products, except for first-hand gold bars, silver products, gem-set and other jewellery products to (i) the wholesale market and (ii) directly to customers through self-operated online platform and third-party online sales channels.

For sales to the wholesale market, revenue is recognised when control of the goods is transferred, being the time when products are delivered to the wholesaler's specific location. Upon delivery, the wholesalers have full discretion over the manner of distribution and pricing to sell the goods, and they also bear the risks of obsolescence and loss in relation to the goods. The credit term granted to the wholesalers is 30 to 60 days from invoice date, and deposits received in advance are recognised as contract liabilities.

For sales directly to customers, revenue is recognised when goods are delivered or picked up, being the time when customers obtain control over the good. Other than gold bars and silver bars which are not returnable unless they are proved inauthentic, the customers have a seven-day free return for jewellery products provided that the products are returned in their original state without damage. The Group uses its accumulated historical experience to estimate the number of return and considered that it is insignificant. Cash payments from the customers are made immediately upon delivery of the products.

5. REVENUE (Continued)

(ii) Performance obligations for contracts with customers (Continued)

Sales of first-hand gold bars

The Group sells first-hand gold bars with tailor-made specification to a specific customer. Revenue is recognised when control of the goods is transferred, being at the point of time when the goods are picked up by the customer at the Group's exhibition hall at Shenzhen. Full amount of deposit in advance is required. Under the Group's standard contract terms, the customer have no rights to exchange or refund once the customer verified the quality at the time of pick up.

Sales of diamonds

The Group sells diamonds to customers. Revenue is recognised when control of the goods is transferred to the customer. According to contracts signed on or before July 2018, the ownership of the diamonds remained with the Group until payment is received in full. The control of diamond is transferred upon full payment. For contracts signed after July 2018, ownership of diamonds will be transferred to customers once they verified the quality at time of pick up. The normal credit terms granted is 60 days upon pick up by the customers and there is no rights to exchange or return.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts with customers of the Group are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION

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 ("**CODM**") (i.e. the executive directors of the Company). The CODM 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 other 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 CODM do not base on such analysis for resource allocation and performance assessment.

Geographical information

The Group's operations are located in the PRC and Hong Kong. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets are presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
The PRC	**2,469,619**	3,519,581	**155,493**	21,982
Hong Kong	**28,230**	—	**—**	—
	2,497,849	3,519,581	**155,493**	21,982

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

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

	2018 RMB'000	2017 RMB'000
Customer A[1]	**255,778**	1,488,385
Customer B[2]	**273,033**	N/A[3]

1 Revenue is generated from sales of first-hand gold bars through the Group's online platform.

2 Revenue from sales of gold products, except for sales of first-hand gold bars, sales of silver products, sales of gem-set and other jewellery products.

3 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7a. OTHER INCOME, GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000
Government grant (Note)	1,000	432
Bank interest income	2,081	1,248
Gain on disposal of an associate	—	18
Gain on termination of a Structured Entity (Note 32(b))	—	3,656
Net exchange gain (loss)	16,531	(5,332)
	19,612	22

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

7b. OTHER EXPENSES

	2018 RMB'000	2017 RMB'000
Donation (Note)	10,000	—
Others	95	81
	10,095	81

Note: In November 2018, the Group, through its wholly owned subsidiary, injected an amount of RMB10,000,000 as registered capital for the establishment of a company which operates a museum in the PRC, namely 景寧畲族自治縣畲銀博物館 (the "**Museum**"). The Museum is set up for the exhibition of traditional silvery products and culture promotion to the public. According to the articles of association of the Museum, the Group acts as the operator of the Museum and does not have the entitlement of the sharing of any profit. The directors of the Company, after taking into consideration of legal advice, considered that the Group does not exercise control nor have significant influence over the Museum, and the obligations of the Group to the Museum is limited to the amount being injected, i.e. RMB10,000,000. Therefore, the amount is recognised as donation in full and included as other expense.

8. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
PRC Enterprise Income Tax ("**EIT**")		
– current year	55,100	39,370
– under (over) provision in respect of prior years	4	(813)
	55,104	38,557
Deferred taxation – current year (Note 15)	(1,140)	—
	53,964	38,557

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

Under the Law of the PRC on EIT (the "**EIT Law**") and its related implementation regulations, the tax rate of the Group's PRC subsidiaries is 25% for both years, except for 深圳雲鵬軟件開發有限公司, which is recognised as a Software Enterprise ("**軟件企業**") by the PRC tax authorities and it is entitled to an exemption for the first two consecutive years beginning from 2016 and a 50% reduction for the following three consecutive years, and is subject to review once every year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. INCOME TAX EXPENSE (Continued)

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

	2018 RMB'000	2017 RMB'000
Profit before tax	196,641	139,498
Tax at the domestic income tax rate of 25%	49,160	34,875
Tax effect of expenses not deductible for tax purpose	7,630	6,194
Tax effect of income not taxable for tax purpose	(4,615)	(915)
Tax effect of concessionary tax rate granted	(946)	—
Tax effect of share of results of associates	—	5
Tax effect of tax losses not recognised	2,748	1,242
Utilisation of tax losses previously not recognised	(17)	(2,031)
Under (over) provision in respect of prior years	4	(813)
Income tax expense for the year	53,964	38,557

Details of deferred tax recognised are set out in Note 15.

9. PROFIT FOR THE YEAR

	2018 RMB'000	2017 RMB'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (Note 11)	3,010	951
Other staff costs:		
– salaries and other allowances	38,211	31,131
– retirement benefits scheme contributions	4,169	4,187
Total staff costs	45,390	36,269
Auditor's remuneration	1,523	1,211
Amortisation of intangible assets (included in selling and distribution expenses)	2,437	2,747
Depreciation of property, plant and equipment	3,638	2,368
Cost of inventories recognised as an expense	2,182,667	3,268,296
Impairment loss on trade receivables for sales of goods	2,006	—

Details of impairment assessment for the year ended 31 December 2018 are set out in Note 28.

10. DIVIDEND

No dividends were paid, declared or proposed for ordinary shareholders of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

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

Directors' and Chief Executive's emoluments

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

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2018				
Executive directors				
Mr. Chen He	—	1,028	9	1,037
Mr. Zhang Jinpeng	—	1,043	21	1,064
Mr. Qian Pengcheng	—	492	9	501
	—	2,563	39	2,602
Independent non-executive directors				
Mr. Fu Lui	136	—	—	136
Mr. Hu Qilin	136	—	—	136
Mr. Zhang Zuhui	136	—	—	136
	408	—	—	408
Total	408	2,563	39	3,010

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For the year ended 31 December 2018

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' and Chief Executive's emoluments (Continued)

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

Mr. Fu Lui, Mr. Hu Qilin and Mr. Zhang Zuhui were appointed as independent non-executive directors of the Company on 13 February 2018.

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

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

The independent non-executive directors' emoluments shown above are for their services as directors of the Company.

Five highest paid employees

The Group's five highest paid individuals for the year ended 31 December 2018 included three (2017: one) directors of the Company. The emoluments of the remaining two (2017: four) individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other allowances	**3,118**	1,236
Retirement benefits scheme contributions	**13**	89
	3,131	1,325

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Five highest paid employees (Continued)

Their emoluments were within the following bands:

	2018 Number of employees	2017 Number of employees
Not exceeding HK$1,000,000	**1**	4
HK$2,500,001 – HK$3,000,000	**1**	—

During the years ended 31 December 2017 and 2018, no emoluments were paid by the Group to any of the directors of the Company and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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

12. EARNINGS PER SHARE

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

	2018	2017
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share (RMB'000)	**142,677**	101,305
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	**1,010,550**	828,838
Basic earnings per share (RMB)	**0.14**	0.12

The basic earnings per share for the year ended 31 December 2017 is calculated based on 828,838,000 ordinary shares on the assumption that the Reorganisation had been effective on 1 January 2017.

No diluted earnings per share was presented as there were no potential ordinary shares in issue for the year ended 31 December 2017.

For the year ended 31 December 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 option was higher than the average market price for shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST					
At 1 January 2017	—	6,150	4,152	1,037	11,339
Additions	—	3,000	377	1,935	5,312
At 31 December 2017	—	9,150	4,529	2,972	16,651
Additions	2,198	5,573	143	—	7,914
At 31 December 2018	2,198	14,723	4,672	2,972	24,565
DEPRECIATION					
At 1 January 2017	—	1,948	1,399	225	3,572
Provided for the year	—	1,278	810	280	2,368
At 31 December 2017	—	3,226	2,209	505	5,940
Provided for the year	139	2,006	878	615	3,638
At 31 December 2018	139	5,232	3,087	1,120	9,578
CARRYING VALUES					
At 31 December 2018	2,059	9,491	1,585	1,852	14,987
At 31 December 2017	—	5,924	2,320	2,467	10,711

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

Plant and machinery	10%
Leasehold improvements	20%
Office equipment	20%
Motor vehicles	20%

14. INTANGIBLE ASSETS

	System software RMB'000
COST	
At 1 January 2017	5,467
Additions	12,338
Termination of a Structured Entity (Note 32(b))	(9,559)
At 31 December 2017	8,246
Additions	549
At 31 December 2018	8,795
AMORTISATION	
At 1 January 2017	1,627
Provided for the year	2,747
Eliminated on termination of a Structured Entity (Note 32(b))	(479)
At 31 December 2017	3,895
Provided for the year	2,437
At 31 December 2018	6,332
CARRYING VALUES	
At 31 December 2018	2,463
At 31 December 2017	4,351

The system software is amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

15. DEFERRED TAXATION

The followings are the major deferred tax asset recognised and movements thereon during the current and prior years:

	Unrealised profit RMB'000
At 1 January 2017 and at 31 December 2017	—
Credited to profit or loss	1,140
At 31 December 2018	1,140

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For the year ended 31 December 2018

15. DEFERRED TAXATION (Continued)

As at 31 December 2018, the Group had unused tax losses of RMB15,959,000 (2017: RMB4,969,000), that are available to offset against future profits and will expire in various dates in the next five years (2017: five years). No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends payable to non-PRC shareholders which is declared in respect of profits earned by the PRC subsidiaries. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB298,576,000 as at 31 December 2018 (2017: RMB141,130,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

16. DEPOSITS PAID ON ACQUISITION OF A LAND USE RIGHT

During the year ended 31 December 2018, the Group paid deposits of RMB132,500,000 and the transaction costs in relation to the acquisition of the land use right over a piece of land located in Huzhou, the PRC. The total consideration for the land use right is RMB285,000,000. The unsettled amount of RMB152,500,000 is disclosed as capital commitment as per Note 25.

17. INVENTORIES

	2018 **RMB'000**	2017 RMB'000
Finished goods	**388,580**	342,783

18. TRADE AND OTHER RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Trade receivables for sales of goods	**218,894**	37,807
Less: allowance for credit loss	**(2,006)**	—
	216,888	37,807
Deposits and prepayments	**44,476**	9,603
Prepayments to suppliers (Note)	**412,081**	115,000
Value-added tax recoverable	**28,970**	35,333
Deferred and prepaid listing costs	**—**	4,219
Total trade and other receivables	**702,415**	201,962

Note: Included in the balance is prepayments paid to a fellow subsidiary with a carrying amount of RMB362,081,000 (2017: Nil).

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to RMB216,888,000 and RMB37,807,000, respectively.

The Group does not grant any credit period to its retail customers and generally grants its corporate customers a credit period ranging from 0 to 60 days and requires advance deposits for 30% to 100% of the contract value from its customers before delivery of goods.

18. TRADE AND OTHER RECEIVABLES (Continued)

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

	2018 RMB'000	2017 RMB'000
0 - 30 days	**164,017**	33,987
31 - 60 days	**12,552**	1,033
61 - 90 days	**13,713**	1,819
Over 90 days	**26,606**	968
	216,888	37,807

As at 31 December 2018, included in the Group's trade receivables balance net of allowance of credit losses are debtors with aggregate carrying amount of RMB53,813,000 which are past due as at the reporting date. Out of the past due balances, RMB13,089,000 has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customer. The Group does not hold any collateral over these balances.

As at 31 December 2017, included in the Group's trade receivable balance were debtors with aggregate carrying amount of RMB4,592,000 which were past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2017 RMB'000
0 - 30 days	3,245
31 - 60 days	702
61 - 90 days	476
Over 90 days	169
	4,592

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

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 and set out in Note 28.

19. AMOUNT(S) DUE FROM (TO) IMMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY/RELATED COMPANIES

Except for an amount due from a fellow subsidiary of RMB898,000 (2017: Nil) which is trade in nature and having credit period of 30 days, the amount are non-trade in nature, unsecured, interest-free and repayable on demand.

During the year ended 31 December 2018, part of the amount due to immediate holding company as at 31 December 2017 was settled by allotting and issuing 27,070,010 new shares to China Silver Group upon Listing and the remaining outstanding amount was capitalised as contribution reserve.

Amounts due from (to) related companies represent (i) amount due from (to) 江西金貓銀貓支付有限公司 ("**Jiangxi CSMall Payment**"). Jiangxi CSMall Payment is a wholly owned subsidiary of Shenzhen Yinruiji Cultural Development Company Limited ("**Shenzhen Yinruiji**"), which is controlled by Mr. Chen He and Mr. Qian Pengcheng, executive directors of the Company, following the termination of the Contractual Arrangements on 22 August 2017 as detailed in Note 32(b), and (ii) the amount due to the Museum, which Mr. Chen He, executive director of the Group, is one of the operating committee member of the Museum. The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

20. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market interest rates ranging from 0.001% to 0.350% per annum for both years.

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

	2018 **RMB'000**	2017 RMB'000
Hong Kong dollar ("**HK$**")	**636**	4
United States dollar ("**US$**")	**626**	3
	1,262	7

As at 31 December 2018, the bank balances and cash of the Group denominated in RMB amounted to RMB267,745,000 (2017: RMB337,999,000). The conversion of RMB denominated bank balances and cash into foreign currencies and the remittance of such foreign currencies denominated balances out of the PRC are subject to the relevant rules and regulations of foreign exchange control by the government authorities concerned.

21. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	**241,159**	134,569
Accrued listing expenses	**1,281**	9,081
Other payables and accrued expenses	**17,299**	11,899
Customer receipts in advance	**2,517**	2,249
Value-added tax and other taxes payables	**1,404**	457
Total trade and other payables	**263,660**	158,255

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

	2018 RMB'000	2017 RMB'000
0 - 30 days	**119,761**	121,015
31 - 60 days	**71,387**	13,143
61 - 90 days	**49,684**	—
Over 90 days	**327**	411
	241,159	134,569

The credit period of purchase of goods and subcontracting costs generally ranges from 1 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

22. CONTRACT LIABILITIES

	31/12/2018 RMB'000	1/1/2018* RMB'000
Amount received in advance of sales of jewellery products	**13,305**	2,249
	13,305	2,249

* The amounts in this column are after the adjustments from the application of IFRS 15.

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22. CONTRACT LIABILITIES (Continued)

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Amount received in advance of jewellery products RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	2,249

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group receives 30% to 100% of the contract amounts as deposits from customers when the sales order is issued. The entire amount of contract liabilities will be recognised as revenue when the customers obtained the control of jewellery products.

23. SHARE CAPITAL

The share capital as at 31 December 2018 and 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 allocated 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.

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 ("**Public Offer**"). Based on the offer price of HK$2.38 per share, the gross proceeds received by the Company was RMB373,036,000.

23. SHARE CAPITAL (Continued)

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 on 13 March 2018 to settle the amount due to immediate holding company of RMB52,002,000 on 31 December 2017. The remaining outstanding amount due to immediate holding company of RMB323,370,000 was capitalised as contribution reserve on 13 March 2018 ("**Loan capitalisation issue**"). 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 31 December 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 31 December 2017	832,334,000	83,233	572
Issue of new shares	221,254,000	22,125	139
At 31 December 2018	1,053,588,000	105,358	711

24. OPERATING LEASES

Minimum lease payments paid to third parties under operating lease during the year in respect of the Group's rented office premises, showrooms, warehouses and retail shops amounted to RMB9,909,000 (2017: RMB6,773,000).

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

	2018 RMB'000	2017 RMB'000
Within one year	7,857	7,325
In the second to fifth year inclusive	3,743	7,959
Over five years	44	—
	11,644	15,284

Leases are negotiated for terms of one to seven years (2017: one to three years) and rentals are fixed during the lease period.

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25. CAPITAL COMMITMENTS

	2018 RMB'000	2017 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– Leasehold land	182,932	—
– Property, plant and equipment	—	2,173
	182,932	2,173

26. RETIREMENT BENEFIT PLANS

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

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

The total expenses recognised in profit or loss of RMB4,208,000 (2017: RMB4,233,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes amount due to immediate holding company, amounts due to fellow subsidiaries and amount due to a related company as disclosed in Note 19, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and various reserves.

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

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at amortised cost	**498,913**	—
Loans and receivables (including cash and cash equivalents)	**—**	376,365
Financial liabilities		
Amortised cost	**276,622**	539,810

(b) Financial risk management objectives and policies

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

Market risk

Currency risk

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

	Assets		Liabilities	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
HK$	**677**	4	**7,908**	217,340
US$	**12,558**	3	**95**	53,386
	13,235	7	**8,003**	270,726

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

28. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in the relevant foreign currencies against RMB. 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit where the relevant foreign currency strengthens 5% (2017: 5%) against RMB. For a 5% (2017: 5%) weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the post-tax profit.

	HK$		US$	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Post-tax profit	**(271)**	(8,150)	**467**	(2,002)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 20 for details).

The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

Sensitivity analysis

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

Credit risk and impairment assessment

At the end of the reporting period, the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position as trade receivables, refundable rental deposits (included in deposits and prepayments), amount due from immediate holding company, amount due from a subsidiary and bank balances, which those best represent the Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties.

28. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Refundable rental deposits

The credit risk arising from refundable rental deposits is limited as the Group may utilise such amount for the payment of outstanding rental expenses.

Amount due from immediate holding company/amount due from a fellow subsidiary

The credit risk arising from amount due from immediate holding company and amount due from a fellow subsidiary are limited after assessing the financial background of the counterparties.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk except for trade receivables as below.

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

	2018 RMB'000	2017 RMB'000
Amount due from the largest debtor as a percentage to total trade receivables	**15%**	22%
Total amount due from the five largest debtors as a percentage to total trade receivables	**55%**	56%

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28. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The Company's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and may have any past-due amounts but usually settle after due date	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

28. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

31 December 2018	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					RMB'000	RMB'000
Financial assets at amortised cost						
Trade receivables	18	N/A	Note (i)	Lifetime ECL (provision matrix)	98,299	
	18	N/A	Note (i)	Lifetime ECL (individual assessment)	118,589	
	18	N/A	Loss	Credit-impaired	2,006	218,894
Refundable rental deposits (included in deposits and prepayments)	18	N/A	Note (ii)	12m ECL		1,520
Amount due from immediate holding company	19	N/A	Note (ii)	12m ECL		10,600
Amount due from a fellow subsidiary	19	N/A	Note (ii)	12m ECL		898
Bank balances	20	P-1	Note (iii)	12m ECL		268,668

Notes:

(i) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired or with significant outstanding balances, the Group determines the expected credit losses on these items by using a provision matrix grouped by internal credit rating.

During the year ended 31 December 2018, no impairment allowance on trade receivables is provided based on the ECL assessment as the amount is considered insignificant other than credit-impaired debtors. Impairment allowance of RMB2,006,000 was made on credit-impaired debtors.

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28. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Notes: (Continued)

The following table shows reconciliation of loss allowances that has been recognised for trade receivables under the simplified approach.

	Credit-impaired RMB'000
As at 31 December 2017 under IAS 9	—
Adjustment upon application of IFRS 9	—
As at 1 January 2018	—
New financial assets originated	
– Impairment losses recognised	2,006
As at 31 December 2018	2,006

Changes in the loss allowance for trade receivables are mainly due to certain trade debtors with a gross carrying amount of RMB2,006,000 which the management of the Group considers the debtors are in financial difficulties and not probable to repay the trade receivables in foreseeable future. These trade receivables are assessed to be credit-impaired as at 31 December 2018.

(ii) For refundable rental deposits, amount due from immediate holding company and amount due from a fellow subsidiary, the Group measures the loss allowance equal to 12m ECL. The Group applies internal credit risk management to assess whether credit risks has increased significantly since initial recognition, in which case the Group recognises lifetime ECL. The credit risk on these balances are limited having considered the credit quality of the counterparties and the probability of default is negligible. Therefore, no impairment allowance are made on these balances.

(iii) Bank balances are deposited with financial institutions with high credit rating and are considered low credit risk financial assets. The directors of the Company consider these assets are short-term in nature and the probability of default is negligible on the basis of their high-credit ratings. Therefore, no impairment allowance are made on theses balances.

Liquidity risk

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

(c) Fair value measurements of financial instruments

The directors of the company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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

29. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2018, the Group had the following major non-cash transactions:

As disclosed in Note 23, amount due to immediate holding company amounting to RMB52,002,000 was settled by way of new shares allotment by the group, and the remaining outstanding amount of RMB323,370,000 was capitalised as contribution reserve.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amount due to immediate holding company RMB'000	Amounts due to fellow subsidiaries RMB'000	Amounts due to related companies RMB'000	Advance from a non-controlling shareholder of a subsidiary (included in other payables) RMB'000	Total RMB'000
At 1 January 2017	364,908	477	—	4,236	369,621
Financing cash flows	15,320	3,206	(4,350)	(4,236)	9,940
Non-cash changes					
Termination of a Structured Entity	—	(410)	5,110	—	4,700
At 31 December 2017	380,228	3,273	760	—	384,261
Financing cash flows	(4,856)	2,950	9,900	—	7,994
Non-cash changes					
Settled by newly issued shares (Note 23)	(52,002)	—	—	—	(52,002)
Contribution from China Silver Group (Note 23)	(323,370)	—	—	—	(323,370)
At 31 December 2018	—	6,223	10,660	—	16,883

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31. RELATED PARTY DISCLOSURES

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

Name of related parties	Relationship	Nature of transactions	2018 RMB'000	2017 RMB'000
上海華通鉑銀交易市場有限公司 ("**Shanghai Huatong**")	Subsidiary of China Silver Group	Sale of jewellery products	**182**	162
Longtianyong	Subsidiary of China Silver Group	Rental expense	**150**	150
		Purchase of silver ingots	**403,551**	373,303
FY Silver	Subsidiary of China Silver Group	Purchase of silver ingots	**3,898**	—
上海找銀網絡科技有限公司 ("**Shanghai Zhaoyin**")	Subsidiary of China Sliver Group	Sale of jewellery products	**806**	—
Mr. Chen He	Director	Proceeds from termination of a Structured Entity	**—**	800
Mr. Qian Pengcheng	Director	Proceeds from termination of a Structured Entity	**—**	200

(b) Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in Note 19.

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

(d) Compensation of key management personnel

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

	2018 RMB'000	2017 RMB'000
Salaries and other allowances	**4,835**	1,313
Retirement benefits schemes contributions	**51**	63
	4,886	1,376

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

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company 2018	2017	Principal activities	Form of company
Directly owned						
CSMall Group Limited BVI 金貓銀貓集團有限公司	The BVI	Ordinary Shares US$83,233	**100%**	100%	Investment holding	Limited liability
CSMall Holdings Limited BVI 金貓銀貓控股有限公司	The BVI	Ordinary shares US$50,000	**100%**	100%	Investment holding	Limited liability
Indirectly owned						
China Silver Jewellery Group Limited 中國白銀珠寶集團有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Investment holding	Limited liability
江西吉銀實業有限公司	The PRC	Registered capital US$99,800,000	**100%**	100%	Processing and wholesale of precious metal products	Wholly foreign owned
國融通寶（深圳）融資租賃有限公司	The PRC	Registered capital RMB200,000	**100%**	N/A	Inactive	Limited liability
深圳國金通寶有限公司	The PRC	Registered capital RMB50,000,000^	**100%**	100%	Sales of jewellery products#	Limited liability
深圳國銀通寶有限公司 ("**Shenzhen Guoyintongbao**")	The PRC	Registered capital RMB500,000,000	**100%**	100%	Offline sale of jewellery products and operation of self-owned stores	Wholly foreign owned
深圳銀瑞吉發展有限公司 ("**Shenzhen Yinruiji**")	The PRC	Registered capital RMB1,000,000	**—**	— (Note b)	Online sales platform	Limited liability
Jiangxi CSMall Payment	The PRC	Registered capital RMB108,000,000	**—**	— (Note b)	Operation of online payment system#	Limited liability
深圳雲鵬軟件開發有限公司	The PRC	Registered capital RMB5,000,000^	**100%**	100%	Software development	Limited liability
景寧畲银文化有限公司	The PRC	Registered capital RMB10,000,000^	**100%**	100%	Planning of cultural events, design and sale of jewellery products	Limited liability
白銀小鎮(上海)文化產業有限公司("**Baiyin Town**")	The PRC	Registered capital RMB100,000,000^	**100%**	100%	Online sales of jewellery products#	Limited liability
湖州白銀置業有限公司	The PRC	Registered capital RMB50,000,000^	**100%**	N/A	Property development	Limited liability
浙江金貓銀貓珠寶首飾有限公司	The PRC	Registered capital RMB10,000,000^	**100%**	100%	Sales of jewellery products#	Limited liability

not yet commence business

^ At 31 December 2018, capital injection to the entity had not been made

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

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

(b) Consolidated structured entity

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

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

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

Option Agreement

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

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

Proxy Agreement

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

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

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

(b) Consolidated structured entity (Continued)

Consultancy and Services Agreement

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

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

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

Share Pledge Agreement

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

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

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

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

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

(b) Consolidated structured entity (Continued)

Share Pledge Agreement (Continued)

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

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

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

(b) Consolidated structured entity (Continued)

Share Pledge Agreement (Continued)

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

	2017 RMB'000
Intangible assets	9,080
Trade and other receivables	39,062
Amount due from the Group	5,110
Bank balances and cash	53
Trade and other payables	(2,871)
Amount due to the Group	(4,446)
Amount due to a fellow subsidiary	(410)
Net assets	45,578
Less: Non-controlling interests	(48,234)
Net liabilities disposed of	(2,656)
Gain on termination of a structured entity	
Consideration received	1,000
Net liabilities disposed of	2,656
	3,656
Net cash inflow arising from termination of a structured entity	
Cash consideration received	1,000
Less: Bank balances and cash disposed of	(53)
	947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary		**983,534**	233,534
CURRENT ASSETS			
Deferred and prepaid listing costs		**—**	4,219
Amount due from a subsidiary		**4,325**	2,962
Bank balance and cash		**1,243**	—
		5,568	7,181
CURRENT LIABILITIES			
Other payables and accrued listing costs		**6,084**	11,555
Amount due to immediate holding company		**—**	500
Amount due to a fellow subsidiary		**110**	105
Amount due to a subsidiary		**—**	16,121
		6,194	28,281
NET CURRENT LIABILITIES		**(626)**	(21,100)
NET ASSETS		**982,908**	212,434
CAPITAL AND RESERVES			
Share capital	23	**711**	572
Reserves	(i)	**982,197**	211,862
TOTAL EQUITY		**982,908**	212,434

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note:

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

	Share premium RMB'000	Contribution reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total reserves RMB'000
At 19 January 2017 (date of incorporation)	—	—	—	—
Issue of shares	232,962	—	—	232,962
Loss and total comprehensive expense for the period	—	—	(21,100)	(21,100)
At 31 December 2017	232,962	—	(21,100)	211,862
Issue of shares	424,899	—	—	424,899
Transaction costs directly attributable to the issue of new shares	(17,241)	—	—	(17,241)
Contribution from China Silver Group	—	323,370	—	323,370
Profit and total comprehensive income for the year	—	—	39,307	39,307
At 31 December 2018	640,620	323,370	18,207	982,197

FIVE YEARS' FINANCIAL SUMMARY

RESULTS

	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Revenue	291,218	835,345	2,465,291	3,519,581	**2,497,849**
Profit before tax	47,403	41,851	64,676	139,498	**196,641**
Income tax expense	(9,894)	(8,897)	(14,412)	(38,557)	**(53,964)**
Profit for the year	37,509	32,954	50,264	100,941	**142,677**
Attributable to					
– Owners of the Company	37,509	32,956	50,264	101,305	**142,677**
– Non-controlling interests	—	(2)	—	(364)	**—**
	37,509	32,954	50,264	100,941	**142,677**

ASSETS AND LIABILITIES

	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Total assets	94,745	596,080	641,540	905,285	**1,528,133**
Total liabilities	(77,685)	(468,945)	(420,186)	(559,094)	**(308,098)**
Total equity	17,060	127,135	221,354	346,191	**1,220,035**
Equity attributable to owners of the Company	17,060	78,537	172,756	346,191	**1,220,035**
Non-controlling interests	—	48,598	48,598	—	**—**
	17,060	127,135	221,354	346,191	**1,220,035**