中國白銀集團
CHINA SILVER GROUP

(Incorporated in the Cayman Islands with limited liability)

Stock Code：815

INTERIM REPORT 2019

Leading
Fully-Integrated
Silver, Gold and
Precious Metals
Enterprise
in China

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Chen Wantian（陳萬天）
Song Guosheng（宋國生）
Liu Jiandong（柳建東）
(appointed on 17 June 2019)
Chen Guoyu（陳國裕）
(resigned on 17 June 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Song Hongbing（宋鴻兵）
Li Haitao（李海濤）
Zeng Yilong（曾一龍）

AUDIT COMMITTEE

Zeng Yilong (Chairman)
Song Hongbing
Li Haitao

REMUNERATION COMMITTEE

Li Haitao (Chairman)
Chen Wantian
Song Hongbing

NOMINATION COMMITTEE

Chen Wantian (Chairman)
Song Hongbing
Li Haitao

COMPANY SECRETARY

Chan Hon To（陳瀚濤）, HKICPA FCCA
(appointed on 17 June 2019)
Yan Ho Yin（忻浩賢）, HKICPA
(resigned on 17 June 2019)

AUTHORISED REPRESENTATIVES

Chen Wantian
Chan Hon To (appointed on 17 June 2019)
Yan Ho Yin (resigned on 17 June 2019)

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
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

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P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS IN THE PRC

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Shuibei, Luohu District
Shenzhen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1416, China Merchants Tower
168-200 Connaught Road Central
Sheung Wan
Hong Kong

COMPANY'S WEBSITE

www.chinasilver.hk

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
815

PRINCIPAL BANKERS

Bank of Ganzhou
Agricultural Bank of China

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISORS

Hong Kong law:

Sullivan & Cromwell (Hong Kong) LLP

Cayman Islands law:

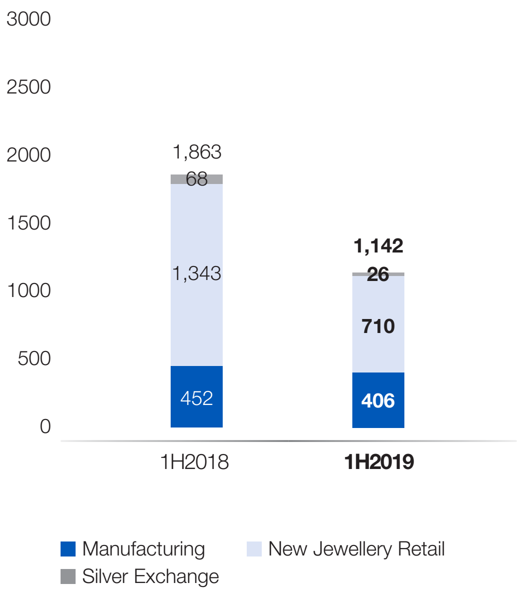
Conyers Dill & Pearman

INVESTORS AND MEDIA RELATIONS

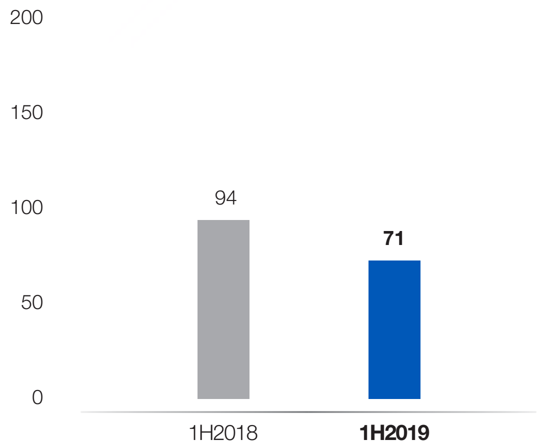
Hill and Knowlton Strategies

FINANCIAL HIGHLIGHTS

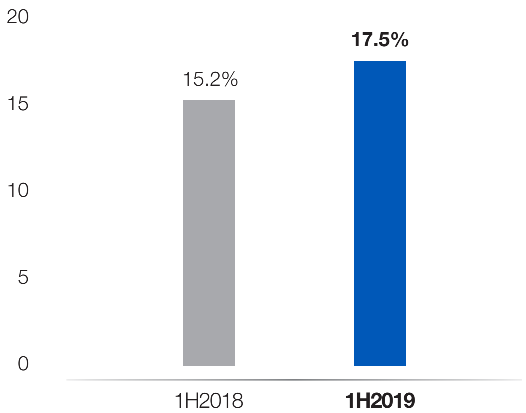
Revenue (RMB million)



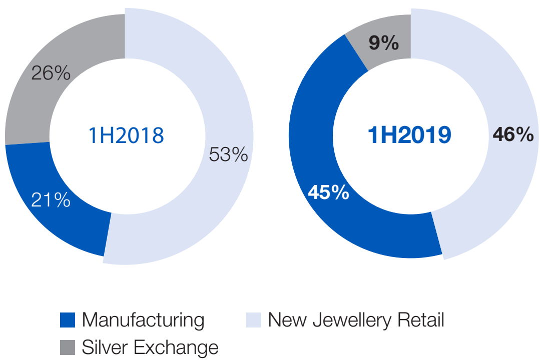
Profit Attributable to Owners of the Company (RMB million)



Gross Profit Margin



Segment Profit Breakdown



OUR MILESTONES

Our Milestones

2019

- Fully transformed into an integrated silver, gold and precious metals enterprise mainly with the manufacture and sale of silver, gold and precious metals as its core business

MAR 2018

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

MAR 2017

- Acquired Silver Exchange Business

2014

- Developed New Jewellery Retail Business

2012

- IPO in Hong Kong

2002

- Silver Manufacturing

SELECTED BRANDS AND PRODUCTS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The board of directors (the "**Board**", its member(s), the "**Director(s)**") of China Silver Group Limited (the "**Company**", together with its subsidiaries, the "**Group**", "**we**" or "**us**") is delighted to report our progress in becoming a leading fully-integrated silver, gold and precious metals enterprise in the People's Republic of China (the "**PRC**").

We are pleased to see that, despite the unstable global economy and the downturn of the Chinese economy due to multiple factors, in particular the Sino-US trade friction, the Group's Manufacturing segment realised strong segment profit growth during the six months ended 30 June 2019.

The segment profit of the Manufacturing segment for the six months ended 30 June 2019 increased to approximately RMB55.8 million (1H2018: RMB37.8 million), representing a significant increase of approximately 47.7% as compared to the corresponding period in 2018. The strong segment profit growth of the Manufacturing segment during the six months ended 30 June 2019 was mainly attributable to the Group's continuous optimization of its product mix by further increasing the proportion of precious metals including silver, as well as the decline in the cost of raw materials.

For the six months ended 30 June 2019, the production volume and revenue generated from external sales of silver ingots both increased by approximately 50% as compared with the 1H2018, giving rise to an increase in gross profit by approximately 96%; the increase in the production volume, revenue and gross profit of gold and products with gold content (collectively, "**Gold Products**") was approximately 54%, 46% and 196% over the 1H2018, respectively; palladium also saw a breakthrough compared to 2018 and realised large scale sales for the first time during the six months ended 30 June 2019, accounting for approximately 4% of the revenue of the Manufacturing segment. For the six months ended 30 June 2019, taking into account the volume of internal sales, the sales of silver ingots as a proportion of the revenue of the Manufacturing segment was over 50%, and is expected to remain above this ratio for the full year of 2019; the sales of Gold Products as a proportion of the revenue of the Manufacturing segment was close to 10%, which is expected to exceed 25% for the full year of 2019, resulting in a gross profit contribution of more than 30% of Manufacturing Segment.

Meanwhile, it is expected that the contribution of silver, Gold Products, palladium and other precious metals will account for more than 90% of both the revenue and gross profit of the Manufacturing segment throughout 2019. While continuously optimising the product mix and increasing the proportion of the precious metals business, the Group seized the market opportunities arising from the global economic instability and the downturn of the Chinese economy, strictly controlled the procurement cost of raw materials and took advantage of the reduced cost of raw materials, which jointly led to the strong profit growth of the Manufacturing segment for the six months ended 30 June 2019.

Since 2014, we have diversified from the traditional Manufacturing segment to the downstream New Jewellery Retail segment which is now operated under our subsidiary, CSMall Group Limited (Stock code: 1815) ("**CSMall Group**"). Apart from leveraging our strength and resources in the upstream business, CSMall Group has optimized its sales and marketing strategies since 2018 and gradually shifted its focus to high-margin silver jewellery products. Sales of CSMall Group for the six months ended 30 June 2019 amounted to approximately RMB709.7 million, representing approximately 62.2% of our total revenue for the corresponding period (1H2018: 72.1%). Furthermore, CSMall Group contributed a segment profit of approximately RMB58.1 million for the six months ended 30 June 2019 (1H2018: RMB94.9 million).

In 2016, the Group further expanded the downstream business by the acquisition of Shanghai White Platinum & Silver Exchange* (上海華通鉑銀交易市場有限公司 or "**Shanghai Huatong**"), an operator of an integrated silver exchange platform in the PRC. For the six months ended 30 June 2019, the Silver Exchange segment contributed a segment profit of approximately RMB11.0 million (1H2018: RMB47.1 million).

The overall gross profit margin of the Group increased from approximately 15.2% for the six months ended 30 June 2018 to approximately 17.5% for the six months ended 30 June 2019, which is mainly due to the optimisation of product mix of the Manufacturing segment with an increase in the proportion of precious metals business, the decrease in the cost of raw materials, and the increase of sales of high-margin silver products as a result of the optimisation of the product mix of the New Jewellery Retail segment.

Overall speaking, profit attributable to owners of the Company for the current interim period decreased to approximately RMB71.4 million, representing a decrease of approximately 24.2% as compared to the corresponding period in 2018. This is mainly because the external economic impact and the proactive strategic adjustment and optimisation of product mix of the New Jewellery Retail segment resulted in the slowdown of other business segments, offsetting the good performance of the Manufacturing segment.

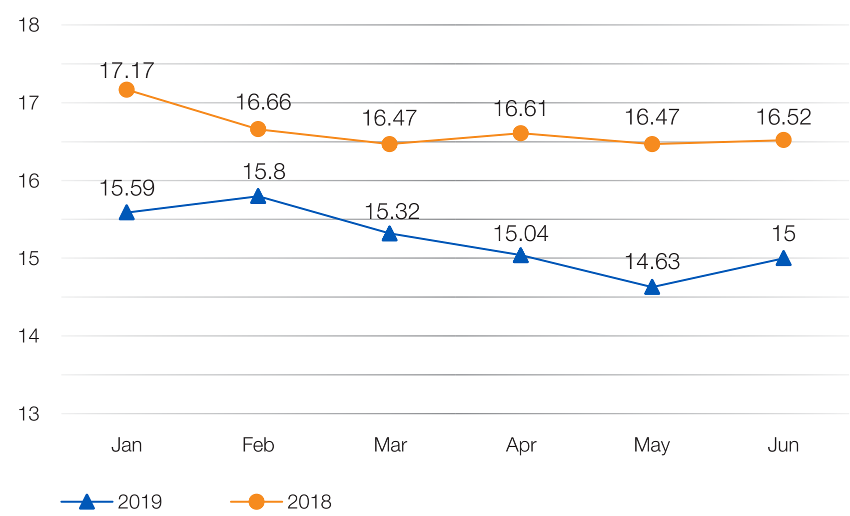
As always, our long-term vision is to become a leading fully-integrated silver, gold and precious metals enterprise in the PRC and we are moving full speed towards this goal.

Manufacturing Segment

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

Meanwhile, the Group applied a proprietary production model to manufacture high quality silver ingots, Gold Products, palladium and other precious metals and the metal by-products derived therefrom. During the six months ended 30 June 2019, we sold approximately 46 tonnes (1H2018: 30 tonnes) of silver ingots to our customers and produced approximately 41 tonnes (1H2018: 58 tonnes) of silver ingots for our downstream businesses. During the six months ended 30 June 2019, the global silver market fluctuated somewhat. The graph below shows the change in international silver price quoted on the London Bullion Market Association (LBMA) from January 2019 to June 2019:

Monthly Average Silver Price (US$/oz)



Source: The London Bullion Market Association

MANAGEMENT DISCUSSION AND ANALYSIS

New Jewellery Retail Segment Operated under CSMall Group (stock code: 1815)

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

Online Sales Channels

(i) Self-operated online platform

The Group's past implementation of the established strategy of attracting traffic through promotion of low-margin gold bars has achieved significant expected results. As of 30 June 2019, 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 approximately 9.7 million. On this basis, the Group started to implement the second stage of the established strategy and the platform was upgraded to a membership-based platform in the first half of the year. The focus of the platform was adjusted from the original vigorous solicitation of new members to the stimulation and enhancement of benefits for existing members, which generated remarkable results. As of 30 June 2019, the number of active members of the platform was approximately 3.1 million, representing an increase of approximately 39.9% as compared with the same period of last year; the repeat purchase rate of members was approximately 6.4%, representing an increase of approximately 213.0% as compared with the same period of last year; and the sales conversion rate of the platform's members was approximately 40.0%, representing an increase of approximately 66.7% as compared with the same period of last year.

(ii) Television and video shopping channels

As of 30 June 2019, we cooperated with a total of 23 television and video shopping channels in the PRC to promote and sell our jewellery products and became a core supplier in the 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 domestic viewers in the PRC, our brand awareness among viewers of Chinese 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）, and WeChat（微信）, etc., to promote our jewellery products.

MANAGEMENT DISCUSSION AND ANALYSIS

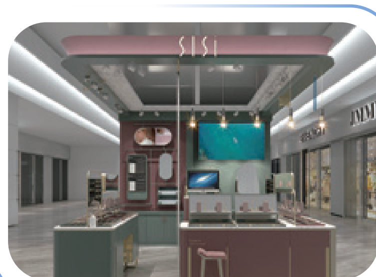
Offline Retail and Service Network

(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 indispensable to the jewellery shopping experience, at our CSmall Shops. The Group optimised its strategic deployment in the first half of the year. In the first half of 2019, we closed 28 stores and opened 37 new stores. As of 30 June 2019, we had 107 CSmall Shops located in 17 provinces and municipalities in the PRC, consisting of 16 self-operated CSmall Shops and 91 franchised CSmall Shops with presence in Anhui, Beijing, Fujian, Guangdong, Hebei, Heilongjiang, Henan, Hubei, Hunan, Inner Mongolia, Jiangsu, Jiangxi, Liaoning, Shandong, Shanghai, Tianjin and Zhejiang.

City	Number of shops
Anhui	7
Beijing	5
Fujian	2
Guangdong	6
Hebei	1
Heilongjiang	3
Henan	2
Hubei	3
Hunan	2
Inner Mongolia	1
Jiangsu	8
Jiangxi	3
Liaoning	1
Shandong	5
Shanghai	9
Tianjin	4
Zhejiang	45

Total 107



(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 the PRC's largest and leading jewellery trading and wholesale market. Our Shenzhen Exhibition Hall showcases the product designs of our self-owned brands and certain third-party brands, and also serves as an interactive exhibition and sales platform primarily for our wholesale customers as well as our franchisees.

(iii) Third-party offline points of sale

We also distribute our jewellery products 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.

Silver Exchange Segment

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

Prospects

In the first half of 2019, the global political and economic situations remain turbulent. The ongoing Sino-US trade dispute has brought uncertainties to the global economy, which resulted in fluctuations in silver price. Fluctuations in the exchange rate of Chinese Yuan and stock market corrections have impeded the consumer sentiment to a certain extent; consumers have been spending more prudently as compared to the past.

Since May 2019, with the growth of risk-aversion sentiment around the world, gold and silver prices have seen a surge in the international market. At the same time, the gold-to-silver ratio is very close to historical high, and there is still a large gap between the current silver price and the peak of near US$50 per ounce in 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

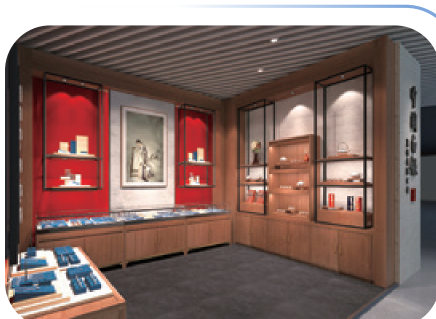
Global economic turmoil as well as Sino-US trade disputes, PRC's economic slowdown and other unstable factors will continue to cast a shadow over the global and Chinese economy for a prolonged period, and a larger demand for hedge assets such as silver, gold and other precious metals will gradually emerge in the market. In particular, there is a larger room for growth in the demand for silver in the foreseeable future due to the absolute high level and higher safety margin of the gold-to-silver ratio. We therefore remain fully confident in the manufacture and sale of precious metals including silver, Gold Products and palladium. Based on the Group's forward-looking strategic planning and strong execution power and the Group's continuous optimisation of product mix, it is expected that the revenue and gross profit from the sale of precious metals including silver, Gold Products and palladium will account for more than 90% of the Manufacturing segment for the full year of 2019, and the rest will be contributed by the metal by-products produced in the process of manufacturing the abovementioned precious metal products. This demonstrates the Group has transformed into an integrated silver, gold and precious metals enterprise mainly with the manufacture and sale of silver, gold and other precious metals as its core business after the continuous optimisation of product mix over the years.

Meanwhile, the Group also seized the opportunities arising from the global economic turmoil and the downturn of the Chinese economy in a timely manner, strict controlled the cost of raw materials and improved its profitability. In addition, the Group has also leveraged on its constant strategic planning and strength to seek opportunities arising from an unfavourable economic environment to invest in and acquire upstream high quality precious metal mines including silver and gold mines as well as poly-metallic mines containing silver and gold, thereby continuously enhancing the Group's profitability and achieving persistent strong growth in the Group's performance in the future.

Although the global economic uncertainties affected the retail consumer sentiment in the PRC, we will continue to roll out and optimise sales and marketing strategies to focus on selling high-margin silver jewellery products in order to increase our profit margins. At the same time, we will continue to strengthen and expand our offline retail service network in order to increase our market share in the PRC.

Furthermore, as the PRC proposed the development strategy of "Integrated Reform Plan for Promoting Ecological Progress", hazardous waste treatment is generally recognized as the focus of the environmental technology industry. Therefore, the Group planned to enter the hazardous waste treatment business. We will expand our business scale and leverage the experience and expertise gained from recycling rare metals extracted from the manufacturing process of silver ingots, thereby becoming one of the leading influential environmental technology industry players in the near future.

In summary, we are pleased with the positive news and future development prospects of the business segments and fully confident in the continued strong growth of the Group's performance in the future, and will strive to become a leading fully-integrated silver, gold and precious metals enterprise in the PRC.



FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 June 2019 was approximately RMB1,141.9 million (1H2018: RMB1,863.3 million), representing a decrease of approximately 38.7% from that of the corresponding period in 2018.

	Six months ended 30 June			
	2019		2018	
	Revenue RMB'000	% of revenue	Revenue RMB'000	% of revenue
Manufacturing segment				
Sale of silver ingots	**140,973**	**12.3%**	94,067	5.1%
Sale of other metal by-products	**265,276**	**23.2%**	357,811	19.2%
	406,249	**35.5%**	451,878	24.3%
New Jewellery Retail segment operated under CSMall Group				
Sale of gold, silver and jewellery products	**709,712**	**62.2%**	1,343,490	72.1%
Silver Exchange segment				
Commission and related service income	**25,962**	**2.3%**	67,980	3.6%
Total	**1,141,923**	**100.0%**	1,863,348	100.0%

Manufacturing segment

Sales of silver ingots increased from approximately RMB94.1 million to approximately RMB141.0 million for the six months ended 30 June 2019, representing an increase of approximately 49.9% as compared to the corresponding period in 2018. The increase was mainly due to the increase in sales volume.

The average selling price of silver ingots (value-added tax exclusive) slightly decreased from approximately RMB3.1 million per tonne for the last interim period to approximately RMB3.0 million per tonne for the current interim period. Sales volume of silver ingots increased from approximately 30 tonnes for the last interim period to approximately 46 tonnes for the current interim period due to the increase in demand.

Due to the Group's continuous optimisation of product mix to increase the proportion of precious metal products including silver and gold, the sale of other metal by-products such as lead ingots, zinc ingots, bismuth ingots and antimony ingots decreased from approximately RMB357.8 million for the last interim period to approximately RMB265.3 million for the current interim period.

New Jewellery Retail segment operated under CSMall Group

During this interim period, CSMall Group recorded sales of approximately RMB709.7 million (1H2018: RMB1,343.5 million), representing a decrease of approximately 47.2% as compared to the corresponding period in 2018, mainly due to the adverse impact of the Sino-US trade war on the macro-economy and the slowdown in the PRC's economic growth, which have had a negative impact on the PRC's retail market. Meanwhile, the Group implemented proactive strategic adjustment which saw a shift from the promotion of low-margin gold bars to a focus on stimulating users brought in by previous promotion initiatives and increasing their repeat purchase rate and conversion rate. On this basis, we optimised our product mix to focus on the sale of a more diverse product offering and the promotion of high margin silver products.

Silver Exchange segment

During this interim period, the Silver Exchange segment recorded sales of approximately RMB26.0 million (1H2018: RMB68.0 million), representing a decrease of approximately 61.8% as compared to the corresponding period in 2018, mainly due to the decrease in transaction volume and the waiver of membership fees starting from 2018.

Cost of Sales and Services Provided

Manufacturing segment

Cost of sales mainly represents the cost of raw materials consumed, direct labor and manufacturing overhead. Cost of raw materials consumed accounted for over 90% of cost of sales. The purchase cost of raw materials is determined by the content levels of silver, lead and palladium at market prices at the time of purchase; other types of minerals or metals are generally not taken into account when determining purchase price. The amount decreased mainly due to the decrease in the average purchase cost of the raw materials in the six months ended 30 June 2019.

New Jewellery Retail segment operated under CSMall Group

Cost of sales mainly represents cost of materials used for the production of gold, silver and jewellery products. Except for silver, other materials like gold, amber and diamond are sourced from independent third parties. The amount decreased mainly due to the decrease in the segment revenue during the current interim period.

Silver Exchange segment

Cost of sales and services provided mainly represents direct expenses incurred for trading of silver and the operation of the online exchange platform. The amount decreased mainly due to the decrease in transaction volume during the current interim period.

Gross Profit and Gross Profit Margin

We recorded gross profit of approximately RMB199.6 million (1H2018: RMB283.3 million) for the six months ended 30 June 2019, a decrease of approximately 29.6% as compared to that of the corresponding period in 2018, mainly due to the optimisation of our sales and marketing strategies to focus more on high-margin silver products. The overall gross profit margin increased from approximately 15.2% for the first half of 2018 to approximately 17.5% for the first half of 2019 mainly due to the optimisation of product mix of the Manufacturing segment which led to an increase in the proportion of precious metals business, the decrease in the cost of raw materials, and the increase of sales of high-margin silver products due to the optimisation of the product mix of the New Jewellery Retail segment.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 5.9% from approximately RMB19.4 million to approximately RMB18.3 million for the six months ended 30 June 2019 mainly due to the decrease in advertising and promotion expenses in line with the decrease in revenue of the New Jewellery Retail segment.

Administrative Expenses

Administrative expenses decreased by approximately 25.7% from approximately RMB84.9 million for the six months ended 30 June 2018 to approximately RMB63.1 million for the six months ended 30 June 2019, mainly due to the decrease in staff cost as a result of decrease in average number of staff in the six months ended 30 June 2019.

Other Expenses

Other expenses for the six months ended 30 June 2018 mainly represent listing expenses of approximately RMB9.3 million recorded for the spin-off of CSMall Group. There were no such expenses incurred for the six months ended 30 June 2019.

Income Tax Expense

Income tax expenses decreased by approximately 51.1% from approximately RMB46.8 million for the six months ended 30 June 2018 to approximately RMB22.9 million for the six months ended 30 June 2019 mainly due to a decrease in profit before tax as a result of the decrease in revenue in the New Jewellery Retail and Silver Exchange segments.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company decreased from approximately RMB94.1 million for the six months ended 30 June 2018 to approximately RMB71.4 million for the six months ended 30 June 2019 mainly due to decrease in revenue in the New Jewellery Retail and Silver Exchange segments.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group's inventories mainly comprise raw materials of ore powder, smelting slag, recycled materials and jewellery products. For the six months ended 30 June 2019, inventory turnover days were approximately 412 days (for the year ended 31 December 2018: 205 days) mainly due to relatively more purchases made towards the end of the period to fulfill customer orders for the second half of 2019.

The turnover days for trade receivables for the six months ended 30 June 2019 were approximately 45 days (for the year ended 31 December 2018: 14 days) mainly due to relatively more sales generated towards at the end of the period resulting in increased trade receivables at the end of the period.

The turnover days for trade payables for the six months ended 30 June 2019 were approximately 58 days (for the year ended 31 December 2018: 22 days) mainly due to the extension of credit periods from certain suppliers and more purchases of certain products in order to fulfill customer orders for the second half of 2019.

Borrowings

As of 30 June 2019, the Group's bank borrowings balance amounted to approximately RMB110.0 million (as of 31 December 2018: RMB60.0 million). The amounts are carried at fixed interest rates, secured by certain assets of the Group and will be due for repayment within one year.

The Group's net gearing ratio was calculated on the basis of the total bank borrowings less bank balances and cash as a percentage of total equity. As of 30 June 2019, the Group was in a net cash position with a net gearing ratio of approximately -18.6% (as of 31 December 2018: -14.4%).

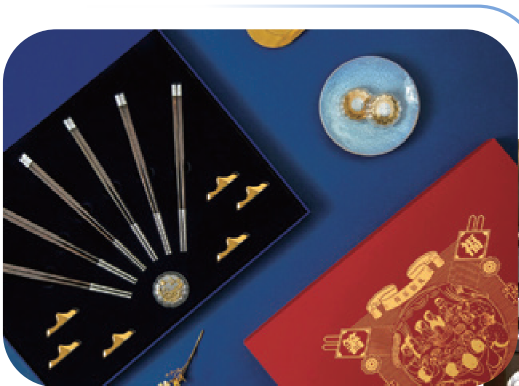
Pledge of Assets

As of 30 June 2019, the Group pledged property ownership rights in respect of buildings, land use rights and inventories with total carrying value of approximately RMB51.4 million, RMB17.5 million and RMB142.8 million, respectively (as of 31 December 2018: RMB53.2 million, RMB17.7 million and Nil) to secure the general banking facilities granted to the Group.

Capital Expenditures

For the six months ended 30 June 2019, the Group invested approximately RMB1.9 million in property, plant and equipment (1H2018: RMB10.1 million).

For the six months ended 30 June 2019, the Group paid additional deposits and other direct costs of approximately RMB104.8 million in relation to the acquisition of land use right (1H2018: Nil).



Capital Commitments

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of a land use right	**91,618**	182,932

Contingent Liabilities

As at 30 June 2019 and 31 December 2018, the Group did not have any contingent liabilities.

Employees

As of 30 June 2019, the Group employed 1,093 staff members (as of 31 December 2018: 1,165 staff members) and the total remuneration for the six months ended 30 June 2019 amounted to approximately RMB40.3 million (1H2018: RMB51.1 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 current interim period. The Group was principally financed by internal resources and bank borrowings. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and bank borrowings. As of 30 June 2019, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately RMB754.1 million (as of 31 December 2018: RMB541.2 million), RMB2,633.3 million (as of 31 December 2018: RMB2,620.8 million) and RMB3,490.3 million (as of 31 December 2018: RMB3,376.5 million), respectively. As of 30 June 2019, the Group had bank borrowings amounting to approximately RMB110.0 million (as of 31 December 2018: RMB60.0 million).

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2019 (1H2018: Nil).

Significant Investment Held, Material Acquisition and Disposal

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

Significant Event After the Reporting Period

On 16 August 2019, an extraordinary general meeting of CSMall Group were held to approve the transactions disclosed in the announcement jointly issued by CSMall Group and the Company on 6 May 2019 (the "**Joint Announcement**") and the circular of CSMall Group dated 31 July 2019 (the "**Circular**") regarding, among other things, the issuance of new shares to participants of a new employee share scheme and the subscription by a strategic investor, Mr. Yao Runxiong (the "**Transactions**").

As at the date of finalizing this management discussion and analysis, no new share has been issued by CSMall Group pursuant to the Transactions. Further details of the Transactions are set out in the Joint Announcement and the Circular.

Upon completion of the Transactions, the percentage of the voting rights held by the Company and other parties in the Concert Group (as defined in the Circular) over CSMall Group will be decreased from approximately 48.45% to approximately 48.05%. The directors of the Company are of the opinion that the execution of the Transactions will not result in the Group losing control over CSMall Group and the Group will continue to account for CSMall Group as a subsidiary of the Group for at least the remainder of 2019.

On behalf of the Board
Chen Wantian
Chairman

Hong Kong, 28 August 2019

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of 30 June 2019, 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 Securities and Futures Ordinance (the "**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

(i) Interests in shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares[1]	Approximate percentage of interest in our Company
Mr. Chen Wantian	Interest in controlled corporation/ Beneficial owner[2]	411,422,187	25.34%
Mr. Song Guosheng	Beneficial owner[3]	2,006,797	0.12%

Notes:

1. All interests are long positions.

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

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

(ii) Interests in shares of CSMall Group, an associated corporation of the Company

Name of Director	Capacity/Nature of interest	Number of shares[1]	Approximate percentage of interest in CSMall Group
Mr. Chen Wantian	Interest in controlled corporation/ Beneficial owner[2]	10,479,536	0.99%

Notes:

1. All interests are long positions.

2. Mr. Chen Wantian is deemed to be interested in 10,462,036 shares of CSMall Group owned by Rich Union Enterprises Limited as the legal owner of the entire issued share capital of Rich Union Enterprises Limited. Further, Mr. Chen Wantian is the beneficial owner of 17,500 shares of CSMall Group.

Save as disclosed above, as of 30 June 2019, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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 30 June 2019, 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.

Interests in shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of Shares[1]	Approximate percentage of interest in our Company
Pandanus Associates Inc.	Interest in controlled corporation[2]	129,998,000	8.00%
Pandanus Partners L.P.	Interest in controlled corporation[2]	129,998,000	8.00%
FIL Limited	Interest in controlled corporation[2]	129,998,000	8.00%

Notes:

1. All interests are long positions.

2. Pandanus Associates Inc. is a general partner of Pandanus Partners L.P., which owns or controls approximately 38.10% of the voting rights in FIL Limited, which in turn is interested in 129,998,000 Shares through various wholly-owned subsidiaries.

Save as disclosed above, as of 30 June 2019, our Company had 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.

SHARE OPTION SCHEMES

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

Details of the movement of the share options granted under the 2012 Scheme during the six months ended 30 June 2019 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1 January 2019	Lapsed during the period	Outstanding as of 30 June 2019
Directors						
Mr. Chen Wantian	3 July 2013	HK$0.96	3 July 2014 – 2 July 2023	2,450,000	–	2,450,000
	20 August 2014	HK$2.20	20 August 2015 – 19 August 2024	2,200,000	–	2,200,000
Mr. Song Guosheng	3 July 2013	HK$0.96	3 July 2014 – 2 July 2023	1,050,000	–	1,050,000
	20 August 2014	HK$2.20	20 August 2015 – 19 August 2024	500,000	–	500,000
Employees						
In aggregate	3 July 2013	HK$0.96	3 July 2014 – 2 July 2023	3,150,000	–	3,150,000
	20 August 2014	HK$2.20	20 August 2015 – 19 August 2024	24,300,000	(2,100,000)	22,200,000
	2 January 2015	HK$1.80	2 January 2016 – 1 January 2025	48,484,000	(3,684,000)	44,800,000
				82,134,000	(5,784,000)	76,350,000

The total number of shares available for issue under the 2012 Scheme is 76,350,000, representing approximately 4.70% of the Company's issued share capital as of 30 June 2019.

Details of the movement of the share options granted under the 2015 Scheme during the six months ended 30 June 2019 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1 January 2019	Lapsed during the period	Outstanding as of 30 June 2019
Employees						
In aggregate	27 August 2015	HK$1.97	27 August 2016 – 26 August 2025	100,462,000	(19,462,000)	81,000,000
				100,462,000	(19,462,000)	81,000,000

The total number of shares available for issue under the 2015 Scheme is 81,000,000, representing approximately 4.99% of the Company's issued share capital as of 30 June 2019.

Notes:

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

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

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

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

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

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

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

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

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

4. No share option granted under the 2012 Scheme and the 2015 Scheme was exercised during the six months ended 30 June 2019.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. During the six months ended 30 June 2019, the Company had complied with the code provisions under the CG Code, except for the following deviations:

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation of Mr. Sung Kin Man, former Chief Executive Officer of the Company, on 1 January 2019, Mr. Chen Wantian has served as both the Chairman and the Chief Executive Officer of the Company. 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.

Pursuant to code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, three independent non-executive Directors were unable to attend the annual general meeting held on 3 June 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed nor sold any of the Company's listed securities during the six months ended 30 June 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The Board established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. The Audit Committee comprises all three independent non-executive Directors namely, Dr. Zeng Yilong (Chairman), Mr. Song Hongbing and Dr. Li Haitao . The primary responsibilities of the Audit Committee are to review and supervise the financial reporting processes and risk management and internal control systems of the Group.

The Audit Committee has reviewed the financial reporting processes and risk management and internal control systems of the Group and discussed with the external auditors the unaudited condensed consolidated financial statements for the six months ended 30 June 2019. The Audit Committee is of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

NOMINATION COMMITTEE

The Board established a nomination committee (the "**Nomination Committee**") with written terms of reference in compliance with the CG Code. The Nomination Committee comprises Mr. Chen Wantian (Chairman), Mr. Song Hongbing and Dr. Li Haitao, with the latter two being independent non-executive Directors.

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

REMUNERATION COMMITTEE

The Board established a remuneration committee (the "**Remuneration Committee**") with written terms of reference in compliance with the CG Code. The Remuneration Committee comprises Dr. Li Haitao (Chairman), Mr. Chen Wantian and Mr. Song Hongbing, among whom Dr. Li Haitao and Mr. Song Hongbing are independent non-executive Directors.

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

APPENDIX 16 TO THE LISTING RULES

According to paragraph 40 of Appendix 16 to the Listing Rules headed "Disclosure of Financial Information", save as disclosed in this interim report, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the Company's 2018 annual report.

On behalf of the Board
Chen Wantian
Chairman

Hong Kong, 28 August 2019

* *For identification purpose only*

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Silver Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended 30 June 2019 RMB'000 (unaudited)	 2018 RMB'000 (unaudited)
Revenue	3	**1,141,923**	1,863,348
Cost of sales and services provided		**(942,318)**	(1,580,009)
Gross profit		**199,605**	283,339
Other income		**5,367**	6,771
Other gains and losses		**475**	1,078
Impairment losses, net of reversal	12	**(3,342)**	390
Selling and distribution expenses		**(18,257)**	(19,407)
Administrative expenses		**(63,100)**	(84,898)
Finance costs		**(2,441)**	(3,281)
Research and development expenses		**(1,233)**	(990)
Other expenses		**(60)**	(9,647)
Share of results of associates		**–**	(280)
Profit before tax		**117,014**	173,075
Income tax expense	5	**(22,892)**	(46,843)
Profit for the period	6	**94,122**	126,232
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(23)**	(1,214)
Total comprehensive income for the period		**94,099**	125,018
Profit for the period attributable to:			
Owners of the Company		**71,372**	94,149
Non-controlling interests		**22,750**	32,083
		94,122	126,232
Total comprehensive income for the period attributable to:			
Owners of the Company		**71,349**	92,935
Non-controlling interests		**22,750**	32,083
		94,099	125,018
Earnings per share	8	**RMB**	RMB
Basic		**0.044**	0.058
Diluted		**0.044**	0.058

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**148,448**	156,752
Right-of-use assets	9	**25,038**	–
Prepaid lease payments		**–**	17,266
Goodwill		**330,262**	330,262
Intangible assets	9	**95,574**	101,004
Deferred tax assets		**5,903**	3,419
Equity instrument at fair value through other comprehensive income		**8,963**	8,963
Deposits paid on acquisition of a land use right	10	**242,828**	138,046
		857,016	755,712
CURRENT ASSETS			
Prepaid lease payments		**–**	432
Inventories		**2,133,450**	2,107,302
Trade and other receivables	11	**389,742**	440,163
Tax recoverable		**2,378**	6,364
Restricted bank balances	13	**116,565**	162,052
Bank balances and cash		**754,088**	541,242
		3,396,223	3,257,555
CURRENT LIABILITIES			
Trade and other payables	14	**603,945**	535,167
Lease liabilities – current portion		**6,549**	–
Contract liabilities		**25,160**	24,063
Deferred income		**715**	715
Income tax payable		**16,522**	16,831
Bank borrowings	15	**110,000**	60,000
		762,891	636,776
NET CURRENT ASSETS		**2,633,332**	2,620,779
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,490,348**	3,376,491

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTE	**30 June 2019 RMB'000 (unaudited)**	31 December 2018 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	16	**13,246**	13,246
Share premium and reserves		**2,755,819**	2,684,470
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**2,769,065**	2,697,716
Non-controlling interests		**693,325**	650,575
TOTAL EQUITY		**3,462,390**	3,348,291
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**21,567**	22,547
Lease liabilities – non-current portion		**1,093**	–
Deferred income		**5,298**	5,653
		27,958	28,200
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**3,490,348**	3,376,491

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the company									
	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Capital reserve RMB'000 *(note i)*	Statutory reserve RMB'000 *(note ii)*	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 (audited)	13,242	1,095,250	106,713	201,491	159,818	(1,663)	1,048,901	2,623,752	148,697	2,772,449
Profit for the period	–	–	–	–	–	–	94,149	94,149	32,083	126,232
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(1,214)	–	(1,214)	–	(1,214)
Total comprehensive (expense) income for the period	–	–	–	–	–	(1,214)	94,149	92,935	32,083	125,018
Recognition of equity-settled share-based payments	–	–	11	–	–	–	–	11	–	11
Issue of shares upon exercise of share options *(note 16)*	4	1,010	(246)	–	–	–	–	768	–	768
Deemed disposal of partial interest in CSMall Group arising from spin-off *(note 17)*	–	–	–	(74,692)	–	–	–	(74,692)	430,487	355,795
At 30 June 2018 (unaudited)	13,246	1,096,260	106,478	126,799	159,818	(2,877)	1,143,050	2,642,774	611,267	3,254,041
At 1 January 2019 (audited)	13,246	1,096,260	106,478	126,799	183,737	(2,736)	1,173,932	2,697,716	650,575	3,348,291
Profit for the period	–	–	–	–	–	–	71,372	71,372	22,750	94,122
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(23)	–	(23)	–	(23)
Total comprehensive (expense) income for the period	–	–	–	–	–	(23)	71,372	71,349	22,750	94,099
Lapse of share options	–	–	(14,639)	–	–	–	14,639	–	–	–
Capital injection from a non-controlling shareholder of a 40% owned subsidiary, 永豐縣通盛小額貸款股份有限公司 ("Tongsheng")	–	–	–	–	–	–	–	–	20,000	20,000
At 30 June 2019 (unaudited)	13,246	1,096,260	91,839	126,799	183,737	(2,759)	1,259,943	2,769,065	693,325	3,462,390

Notes:

(i) The capital reserve represents the sum of (a) RMB31,487,000 being the excess of the consideration paid by an independent investor to acquire 10% interest in the Group over the par value of the share capital subscribed; (b) RMB654,000 being the excess of the share capital of a subsidiary acquired by the Company over the nominal consideration of US$1 paid, as part of the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 December 2012; (c) RMB115,029,000 and RMB54,303,000 being the difference between the increase in the non-controlling interests and the consideration received from the disposal of partial interests in CSMall Group Limited BVI ("CSMall BVI") in 2016 and 2017, respectively; (d) RMB18,000 being the difference between the increase in the non-controlling interests and the consideration received from the increase of partial interest in a Group's subsidiary, Tongsheng in 2017; and (e) negative amount in RMB74,692,000 being the difference between the increase in the non-controlling interests and the cash received from the initial listing of shares of a Group's subsidiary, CSMall Group Limited ("CSMall Group") in March 2018 (as detailed in note 17).

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTE	Six months ended 30 June 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
OPERATING ACTIVITIES			
Profit before tax		**117,014**	173,075
Adjustments for non-cash transactions and items associated with investing or financing cash flows		**23,139**	19,305
Operating cash flows before movements in working capital		**140,153**	192,380
Increase in inventories		**(26,876)**	(393,675)
Increase in trade and other payables		**70,866**	106,399
Other operating activities		**18,120**	31,393
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**202,263**	(63,503)
INVESTING ACTIVITIES			
Deposits and other direct costs paid on acquisition of a land use right		**(104,782)**	–
Purchase of property, plant and equipment		**(1,925)**	(3,172)
Repayment of loan receivables		**51,000**	39,000
Bank interest received		**1,068**	2,152
Loan interest income received		**940**	2,907
Proceeds from disposal of property, plant and equipment		**2**	8
Purchase of intangible assets		**–**	(3,483)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(53,697)**	37,412
FINANCING ACTIVITIES			
New bank borrowing raised		**90,000**	29,000
Capital injection from a non-controlling shareholder of Tongsheng		**20,000**	–
Repayment of bank borrowings		**(40,000)**	(110,000)
Repayment of lease liabilities		**(3,512)**	–
Interest paid		**(2,225)**	(3,281)
Proceeds from issue of shares of a subsidiary arising from spin-off	17	**–**	355,795
Proceeds from issue of shares upon exercise of share options		**–**	768
NET CASH FROM FINANCING ACTIVITIES		**64,263**	272,282

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
	NOTE	**RMB'000**	RMB'000
		(unaudited)	(unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**212,829**	246,191
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**541,242**	712,492
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**17**	(1,214)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash		**754,088**	957,469

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to IFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 *"Leases" ("IFRS 16")*

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 "*Leases*" ("IAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises, showrooms, warehouses and retail shops that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to IFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 *"Leases" ("IFRS 16")* (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to IFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 *"Leases" ("IFRS 16")* (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 "*Financial Instruments*" ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to IFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 *"Leases" ("IFRS 16")* (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to IFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 *"Leases" ("IFRS 16")* (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "*Income Taxes*" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to IFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 *"Leases" ("IFRS 16")* (Continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC – Int 4 "*Determining whether an Arrangement contains a Lease*" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of office premises, showrooms, warehouses and retail shops was determined on a portfolio basis.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to IFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 *"Leases"* ("IFRS 16") (Continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 January 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities is 4.75% per annum.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	18,751
Lease liabilities discounted at relevant incremental borrowing rates	17,969
Less: Recognition exemption – lease terms end within 12 months from the date of initial application	(7,589)
Lease liabilities as at 1 January 2019	10,380
Analysed as	
Current	6,250
Non-current	4,130
	10,380

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to IFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 *"Leases"* ("IFRS 16") (Continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	10,380
Reclassified from prepaid lease payments *(Note i)*	17,698
	28,078
By class:	
Leasehold lands	17,698
Office premises, showrooms, warehouses and retail shops	10,380
	28,078

Notes:

(i) Upfront payments for leasehold land in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB432,000 and RMB17,266,000 respectively were reclassified to right-of-use assets.

(ii) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. The adjustment arising from refundable rental deposit as at 1 January 2019 is insignificant and has no material impact to the Group's financial position and performance.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to IFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 *"Leases" ("IFRS 16")* (Continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	RMB'000	RMB'000
Non-current Assets			
Right-of-use assets	–	28,078	28,078
Prepaid lease payments	17,266	(17,266)	–
Current Assets			
Prepaid lease payments	432	(432)	–
Current Liabilities			
Lease liabilities – current portion	–	(6,250)	(6,250)
Non-current Liabilities			
Lease liabilities – non-current portion	–	(4,130)	(4,130)

Note: For the purpose of reporting cash flows for the six months ended 30 June 2019, movements have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

The application of IFRS 16 has no material impact on retained profits as at 1 January 2019.

3. REVENUE

Disaggregation of revenue from contracts with customers

Segments – Types of goods and services	Six months ended 30 June 2019 RMB'000 (unaudited)	 2018 RMB'000 (unaudited)
Manufacturing Segment		
– Sales of silver ingots	**140,973**	94,067
– Sales of lead ingots	**82,217**	157,656
– Sales of palladium	**15,526**	–
– Sales of zinc oxide	**39,402**	90,379
– Sales of other metal by-products	**128,131**	109,776
	406,249	451,878
New Jewellery Retail Segment		
– Sales of gold products, other than first-hand gold bars	**384,016**	664,815
– Sales of silver products	**224,276**	322,209
– Sales of gem-set and other jewellery products	**101,420**	96,327
– Sales of first-hand gold bars	**–**	255,778
– Sales of diamonds	**–**	4,361
	709,712	1,343,490
Silver Exchange Segment		
– Membership fee income	**–**	943
– Commission income	**25,962**	67,037
	25,962	67,980
Total	**1,141,923**	1,863,348

All of the revenue are recognised at a point in time during the six months ended 30 June 2019 and 2018.

4. SEGMENT INFORMATION

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

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

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

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

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

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

	Six months ended 30 June 2019					
	Manufacturing segment RMB'000 (unaudited)	New Jewellery Retail segment RMB'000 (unaudited)	Silver Exchange segment RMB'000 (unaudited)	Segment total RMB'000 (unaudited)	Elimination RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Revenue						
External sales	406,249	709,712	25,962	1,141,923	–	1,141,923
Inter-segment sales	129,109	56	–	129,165	(129,165)	–
Total segment revenue	535,358	709,768	25,962	1,271,088	(129,165)	1,141,923
Results						
Segment results	55,834	58,109	10,961	124,904		124,904
Non-segment items						
Unallocated income, expenses, gains and losses						(8,192)
Reversal of impairment loss on loan receivables						2,743
Finance costs						(2,441)
Profit before tax						117,014

4. SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2018					
	Manufacturing segment RMB'000 (unaudited)	New Jewellery Retail segment RMB'000 (unaudited)	Silver Exchange segment RMB'000 (unaudited)	Segment total RMB'000 (unaudited)	Elimination RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Revenue						
External sales	451,878	1,343,490	67,980	1,863,348	–	1,863,348
Inter-segment sales	183,958	–	–	183,958	(183,958)	–
Total segment revenue	635,836	1,343,490	67,980	2,047,306	(183,958)	1,863,348
Results						
Segment results	37,804	94,867	47,129	179,800		179,800
Non-segment items						
Unallocated income, expenses, gains and losses						(3,554)
Reversal of impairment loss on loan receivables						390
Share of result of an associate						(280)
Finance costs						(3,281)
Profit before tax						173,075

Geographical information

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

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
The PRC	**1,141,923**	1,858,987
Hong Kong	**–**	4,361
	1,141,923	1,863,348

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

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
– current period	**26,365**	46,130
– (over)under provision in respect of prior periods	**(9)**	363
	26,356	46,493
Deferred taxation for the period	**(3,464)**	350
	22,892	46,843

At the end of the reporting period, the Group has unused tax losses of RMB18,244,000 (31 December 2018: RMB28,349,000) available for offset against future profits. Included in unrecognised tax losses are losses of RMB13,458,000 (31 December 2018: RMB23,766,000) that will expire in 2019 to 2024 (31 December 2018: 2018 to 2023). Other losses may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Under the Law of the PRC on EIT (the "EIT Law") and its related implementation regulations, the Group's PRC subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both periods, except for two subsidiaries of the Company, 江西龍天勇有色金屬有限公司 ("Jiangxi Longtianyong") and 深圳雲鵬軟件開發有限公司 ("Shenzhen Yunpeng").

Jiangxi Longtianyong was recognised as High and New Technology Enterprise by the PRC tax authorities such that it was entitled to a concessionary tax rate of 15% for three consecutive years beginning from 2019, and it is subject to review once every three years.

Shenzhen Yunpeng was recognised as Software Enterprise by the PRC tax authorities such that it was entitled to an exemption of PRC EIT for the first two consecutive years beginning from 2016 and a 50% reduction for the following three consecutive years, and it is subject to review once every year.

Under the EIT Law, withholding tax is imposed on dividends payable to non-PRC shareholders which is declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in these condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB1,864,071,000 as at 30 June 2019 (31 December 2018: RMB1,761,745,000) 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.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	**940,874**	1,578,304
Depreciation of property, plant and equipment	**10,023**	12,073
Depreciation of right-of-use assets	**3,598**	–
Amortisation of intangible assets (included in administrative expenses and selling and distribution expenses)	**5,430**	9,675
Release of prepaid lease payments	**–**	218
Bank interest income	**(1,068)**	(2,152)
Loan interest income	**(734)**	(2,907)
(Gain)loss on disposal of property, plant and equipment	**(1)**	41
Rental expenses on short-team leases in respect of office premises and retail shops	**5,124**	–
Operating lease rentals in respect of office premises, showrooms, warehouse and retail shops	**–**	10,240

7. DIVIDENDS

No dividend were paid, declared or proposed during the current interim period (six months ended 30 June 2018: Nil). The directors of the Company have determined that no dividend will be paid in respect of the both interim periods.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**71,372**	94,149
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,624,201**	1,624,156
Effect of dilutive potential ordinary shares:		
Share options of the Company	**–**	3,495
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,624,201**	1,627,651

For the six months 30 June 2019, the computation of diluted earnings per shares does not assume the exercise of the Company's outstanding options because the exercise price of those options was higher than the average market price for the corresponding period.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS/INTANGIBLE ASSETS

During the current interim period, the Group acquired property, plant and equipment of RMB1,925,000 (six months ended 30 June 2018: RMB10,092,000) mainly for the expansion of its production scale and enhancement of production efficiency.

During the current interim period, the Group entered into a new lease agreement for the use of an apartment for 2 years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised a right-of-use asset and a lease liability of RMB558,000.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS/INTANGIBLE ASSETS (Continued)

In addition, during the current interim period, the Group did not acquire any intangible assets (six months ended 30 June 2018: RMB3,483,000 which mainly represents system software for the expansion of the New Jewellery Retail segment).

10. DEPOSITS PAID ON ACQUISITION OF A LAND USE RIGHT

During the current interim period, the Group paid an additional deposit of RMB100,000,000 and other direct costs (six months ended 30 June 2018: Nil) 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. As at 30 June 2019, the unsettled amount of RMB52,500,000 is included and disclosed as capital commitment as per note 21.

11. TRADE AND OTHER RECEIVABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Trade receivables for sales of goods and service	**327,443**	240,942
Less: allowance for credit loss	**(8,091)**	(2,006)
	319,352	238,936
Loan receivables *(note i)*	**–**	48,463
Consideration receivable *(note ii)*	**2,000**	–
Deposits and prepayments	**68,390**	152,764
	389,742	440,163

Notes:

(i) Amounts included unsecured fixed-rate loan receivables carrying interest at 0.6% per month which was lent by a subsidiary with its principal activity as money lending. All the loan receivables were either repayable on demand or within one year. At 30 June 2019, full amount of loan receivables of RMB51,206,000 were settled and the accumulated impairment loss of RMB2,743,000 provided as at 31 December 2018 was fully reversed during the current interim period.

(ii) Amount represented a consideration receivable from a related company upon disposal of 上海找銀網絡科技有限公司 ("上海找銀"), an indirect wholly-owned subsidiary previously held by the Company on 15 June 2019. Loss on disposal of such subsidiary of RMB463,000 was recognised and included in "other gains and losses" to the condensed consolidated statement of profit or loss and other comprehensive income. 上海找銀 disposed of during the six months ended 30 June 2019 did not have significant contribution to the results and cash flows of the Group during the current period prior to the disposal nor have significant assets and liabilities as at the date of disposal.

11. TRADE AND OTHER RECEIVABLES (Continued)

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

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

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
0 – 30 days	**224,389**	185,245
31 – 60 days	**36,602**	12,552
61 – 90 days	**25,176**	13,713
Over 90 days	**33,185**	27,426
	319,352	238,936

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Details of impairment assessment of trade and other receivables for the six months period ended 30 June 2019 and 2018 are set out in note 12.

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Impairment loss recognised/(reversed) in respect of:		
Trade receivables	**6,085**	–
Loan receivables	**(2,743)**	(390)
	3,342	(390)

The basis of determining the inputs and assumptions and the estimation techniques used in these condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2018.

13. RESTRICTED BANK BALANCES

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

14. TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Trade payables		
– 0-30 days	**65,663**	121,069
– 31-60 days	**33,855**	71,387
– 61-90 days	**47,742**	49,684
– 91-180 days	**67,897**	–
– 181-365 days	**136,861**	327
– over 365 days	**3,399**	–
	355,417	242,467
Other payables and accrued expenses	**94,105**	70,507
Refundable deposits received for using the silver exchange platform	**116,565**	162,052
Amount due to 上海華通白銀國際交易中心有限公司 ("Huatong International") *(Note)*	**19,516**	19,606
Value-added tax and other taxes payables	**18,342**	40,535
	603,945	535,167

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

Note: Huatong International is a company which the Group held 18% equity interest and accounted for as an equity investment at fair value through other comprehensive income ("FVTOCI"). The amount was non-trade in nature, unsecured, interest-free and repayable on demand.

15. BANK BORROWINGS

During the six months ended 30 June 2019, the Group repaid bank borrowings of RMB40,000,000 (six months ended 30 June 2018: 110,000,000) and obtained new bank borrowings of RMB90,000,000 (six months ended 30 June 2018: 29,000,000).

Bank borrowings of RMB20,000,000 and RMB90,000,000 (31 December 2018: RMB60,000,000) carry interest at fixed rates of 7.20% and 6.96%, respectively (31 December 2018: 7.20%) per annum and were secured by certain of the Group's assets as set out in note 18.

16. SHARE CAPITAL

	Number of shares	Share capital	
		HK$'000	RMB'000
Ordinary share of HK$0.01 each:			
Authorised			
At 1 January 2018, 30 June 2018, 31 December 2018 and 30 June 2019	3,000,000,000	30,000	24,386
Issued			
At 1 January 2018	1,623,724,589	16,237	13,242
Exercise of share options *(Note)*	476,000	5	4
At 30 June 2018, 31 December 2018 and 30 June 2019	1,624,200,589	16,242	13,246

Note: During the six months ended 30 June 2018, certain share options were exercised by holders to subscribe for 476,000 shares of the Company. The share option exercise price for those options was HK$1.97 per share.

As at 30 June 2019 and 31 December 2018, the number of shares in respect of which options had been granted and remained outstanding was 82,134,000 representing 5.06% of the shares of the Company in issue at that date. All the share options were vested and the related expenses were recognised in profit or loss in previous years.

For details of share option scheme, please refer to the Group's financial statements for the year ended 31 December 2018.

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

CSMall Group

On 13 March 2018, the Group completed the spin-off and separate listing of CSMall Group on the Main Board of the Stock Exchange. On the same day, CSMall Group issued a total of 194,183,990 ordinary shares of US$0.0001 each at HK$2.38 each for cash by way of public offer. Based on the offer price of HK$2.38 per share, the cash received by the Company was RMB355,795,000. An amount of RMB430,487,000 (being the proportionate share of the carrying amount of the net assets value of CSMall Group) was transferred to non-controlling interests. The difference of RMB74,692,000 between the increase in the non-controlling interests and the consideration received was credited to capital reserve.

18. PLEDGE OF ASSETS

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

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Buildings	51,375	53,158
Right-of-use assets	17,479	–
Prepaid lease payments – land use rights	–	17,698
Inventories	142,782	–
	211,636	70,856

19. RELATED PARTY DISCLOSURES

Details of the transaction and outstanding balances with a related party are set out in note 11.

Compensation of key management personnel

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

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Short-term benefits	2,061	4,660
Post-employment benefits	24	30
Share-based payments	–	1
	2,085	4,691

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

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

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

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

Financial asset	Fair value as at 30 June 2019 (unaudited) and 31 December 2018 (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Equity instrument at FVTOCI	RMB8,963,000	Level 3	Adjusted net assets approach – in this approach, the share of the net asset value was used to capture the present value of the expected future economic benefits to be derived from the ownership of Huatong International	Discount factor of lack of control: the higher the discount factor, the lower the fair value

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

21. CAPITAL COMMITMENTS

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of a land use right	**91,618**	182,932

22. EVENT AFTER REPORTING PERIOD

On 16 August 2019, an extraordinary general meeting of CSMall Group were held to approve the transactions disclosed in the announcement jointly issued by CSMall Group and the Company on 6 May 2019 (the "Joint Announcement") and the circular of CSMall Group dated 31 July 2019 (the "Circular") regarding, among other things, the issuance of new shares to participants of a new employee share scheme and the subscription by a strategic investor, Mr. Yao Runxiong (the "Transactions").

As at the date of the issuance of these condensed consolidated financial statements, no new share has been issued by CSMall Group pursuant to the Transactions.

Upon completion of the Transactions, the percentage of the voting rights held by the Company and other parties in the Concert Group (as defined in the Circular) over CSMall Group will be decreased from approximately 48.45% to approximately 48.05%. The directors of the Company are of the opinion that the execution of the Transactions will not result in the Group losing control over CSMall Group and the Group will continue to account for CSMall Group as a subsidiary of the Group for at least the remainder of 2019.

Further details of the Transactions are set out in the Joint Announcement and the Circular.