金猫银猫CSmall

金貓銀貓集團有限公司
CSMall Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code：1815

ANNUAL REPORT 2019

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

Fu Lui *(Chairman)*
Hu Qilin
Zhang Zuhui

REMUNERATION COMMITTEE

Zhang Zuhui *(Chairman)*
Fu Lui
Hu Qilin

NOMINATION COMMITTEE

Chen He *(Chairman)*
Fu Lui
Zhang Zuhui

COMPANY SECRETARY

Chan Sau Ling (陳秀玲) (FCIS, FCS(PE))

AUTHORISED REPRESENTATIVES

Chen He
Chan Sau Ling

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town
Grand Cayman
KY1-9005
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town
Grand Cayman
KY1-9005
Cayman Islands

CORPORATE INFORMATION

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1415, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

COMPANY'S WEBSITE

www.csmall.com

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
1815

PRINCIPAL BANKERS

China Merchants Bank Co., Ltd.
Industrial Bank Co., Ltd.

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISORS

Hong Kong law:

Sullivan & Cromwell (Hong Kong) LLP

Cayman Islands law:

Ogier

INVESTORS AND MEDIA RELATIONS

Hill and Knowlton Strategies

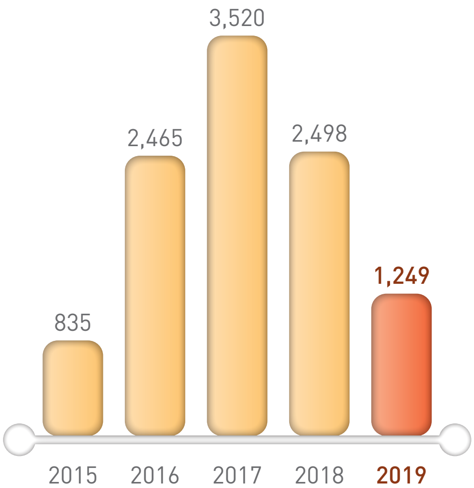
COMPLIANCE ADVISER

Orient Capital (Hong Kong) Limited

FINANCIAL HIGHLIGHTS

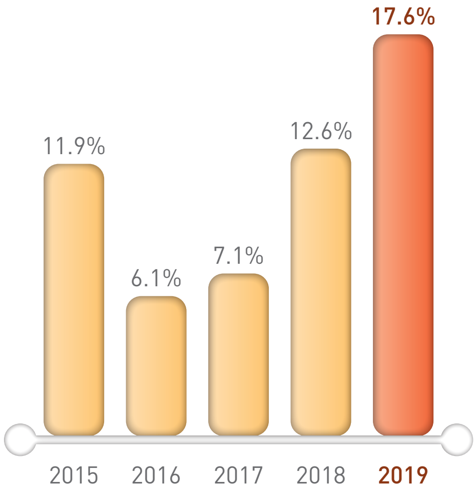
Revenue

RMB million



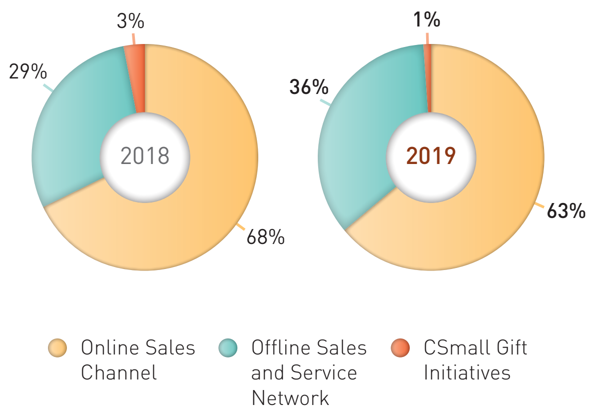
Gross Profit Margin

%



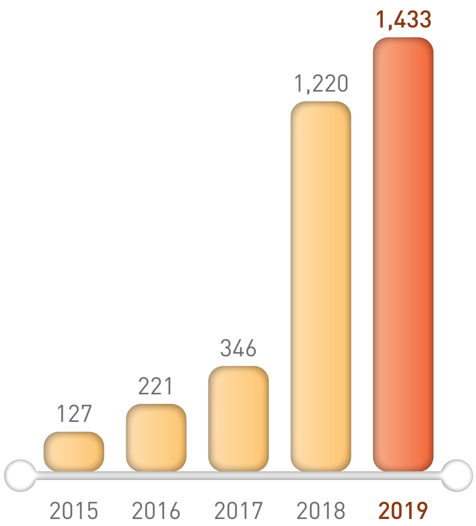
Revenue by Sales Channels

%



Net Assets

RMB million



OUR MILESTONES

Mar 2018

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

Future

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

2018

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

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

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

2014

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

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

Opened our flagship Shenzhen Exhibition Hall in Shuibei, Shenzhen

2015

Mobile website m.csmall.com was launched

Mobile app 金貓銀貓 CSmall was launched

2013

Commencement of our online business

SELECTED BRANDS AND PRODUCTS

SELECTED BRANDS AND PRODUCTS

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of CSMall Group Limited (the "**Company**"), I am pleased to present the annual results of the Company and its subsidiaries (collectively the "**Group**" or "**we**") for the financial year of 2019.

BUSINESS REVIEW

Due to the adverse impact of the Sino-US trade war on the global macro-economy, the economic growth of the People's Republic of China (the "**PRC**") has slowed down, posing a negative impact on the PRC retail market. Changes in and impacts on the macro-environment created a sluggish business climate and dampened consumer sentiment, adding uncertainties to the Group. All in all, 2019 was a challenging year for all enterprises. To deal with such difficulties, the Group made some adjustments to its strategic deployment.

The Group invested more resources in its offline retail and service network. This included the introduction of Mr. Yao Runxiong, chairman of King Tai Fook which owns over 1,000 jewellery stores across China, as a strategic shareholder of the Company to promote comprehensive strategic cooperation with King Tai Fook. By integrating the abundant resources of the two parties, the Group can strengthen cooperation with traditional jewellery brands and styles, thus diversifying its brand portfolio and adding weight to its new online and offline integrated retail platform. The Group will continue to integrate, optimize and empower traditional jewellery retail franchisees to increase the number of its offline service outlets.

As a new online and offline integrated jewellery retailer, we regard employees as our most important and cherished assets. The Group attaches great importance to talent cultivation and incentivization by recognizing employees' performance and contribution and formulating award plans like the new employee share scheme, which holds 84,287,040 new shares of the Company on trust for 40 outstanding employees to encourage them to create more value for the Group.

CHAIRMAN'S STATEMENT

As the benefit brought about by internet users is set to peak, retaining existing users is becoming more important than attracting new traffic. Therefore, the Group refined its services and membership maintenance and management and upgraded its platform to a member-owned one. Particularly, it stimulated private traffic and put more efforts in stimulation and maintenance of the existing approximately 9.9 million members to boost their repeat purchase rate and sales conversion rate. Over the past few years, to expand its customer base and seize a bigger share of the market, the Group sold many low-margin gold bars at discount prices, a strategy that fared well in attracting large number of customers and establishing a solid user base for optimizing sales strategy. Starting from last year, we adjusted our sales strategy by promoting more high-margin gold bars than low-margin ones. Following the sales strategy adopted in 2018, we suspended the promotion of first-hand gold bars and sold a wider variety of jewellery products. This led to a sharp decrease in our overall sales for the year, but on the other hand significantly raised our profit margin and achieved the desired outcome of our sales strategy adjustment.

With growing purchasing power, the millennials are dominating our customer base. An insight into their consumption desires and ideas has pushed us to the forefront of product innovation and promotion innovation. Also, through prolonged sharing by heavyweight online celebrities (KOL) combined with short-video promotion, we are able to make our brand and product information known to target customers in a faster, more accurate and more effective way.

With the continuous development of technologies such as artificial intelligence, cloud computing and big data, the development of the internet has entered a new era. The combination of the internet with intelligent technologies has made offline scenes an important traffic portal. We developed the "Intelligent Marketing Decision Support System" by using technologies and big data to analyse the data from online platforms and offline stores, which provides valuable information on customers' behaviors and preferences and allows us to gain an insight into operational and business strategies, thereby creating a new online and offline integrated jewellery retail platform that better satisfies users' needs and offers better consumer experience.

CHAIRMAN'S STATEMENT

Online Sales Channels

(i) Self-operated online platform

The Group's past implementation of the established strategy of attracting user traffic through promotion of low-margin gold bars has achieved significant expected results. As of 31 December 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 9.9 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 2019. 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 31 December 2019, the number of active members on the platform was approximately 0.5 million, representing an increase of approximately 38.5% as compared with the previous year; the repeat purchase rate of members was approximately 6.4%, representing an increase of approximately 22.7% as compared with the previous year; and the sales conversion rate of members on the platform was approximately 33.9%, representing an increase of approximately 48.9% as compared with the previous year.

(ii) Television and video shopping channels

As of 31 December 2019, we cooperated with a total of 22 television and video shopping channels to promote and sell our jewellery products and become a core supplier of gold, silver and jewellery category of all top television channels, which enabled us to achieve satisfactory sales performance. With a daily coverage of over 100 million home viewers in the PRC, our brand awareness among Chinese viewers of television and video shopping channels was enhanced substantially. Short-video promotion and online celebrity (KOL) promotion are a standard part of our brand marketing. Their content becomes the core of every aspect of our brand marketing, sales and operation.

(iii) Third-party online marketplaces

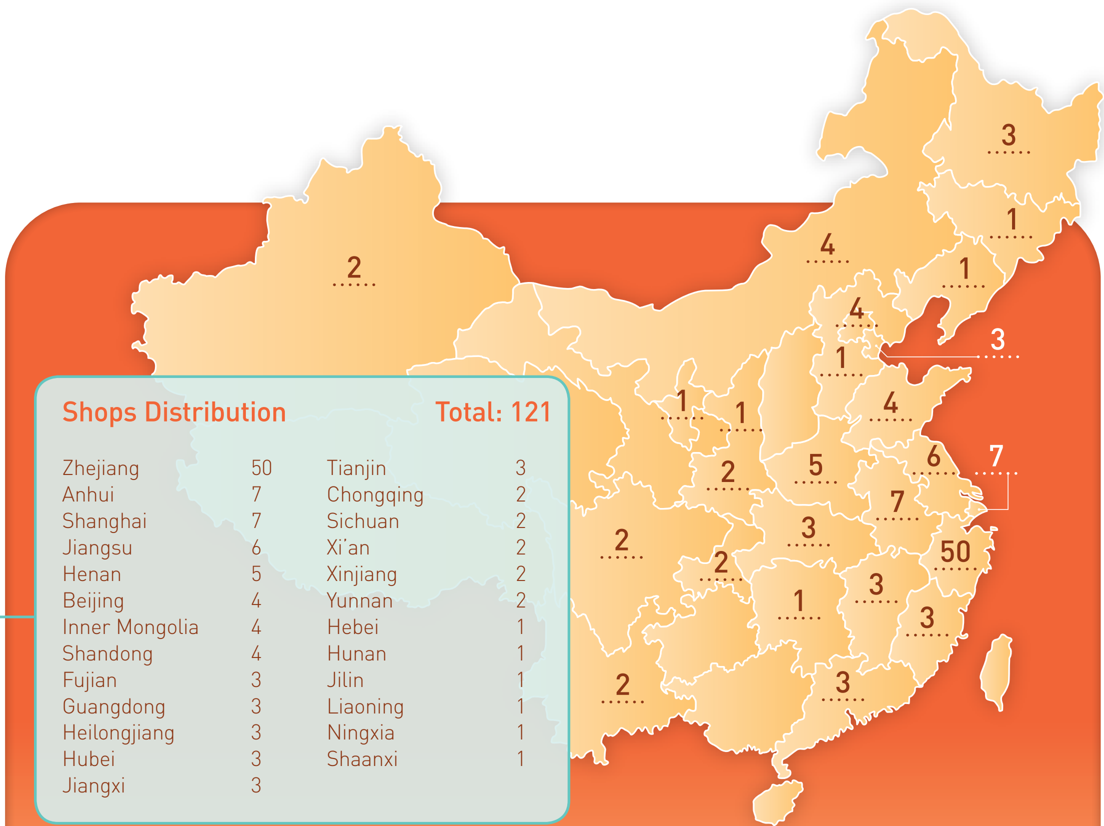
We cooperate with third-party online marketplaces and retail platforms such as Tmall (天貓), JD.com (京東), Suning (蘇寧) and WeChat (微信), etc., to promote our jewellery products.

CHAIRMAN'S STATEMENT

Offline Retail and Service Network

(i) CSmall Shops

We offer intimate on-the-ground sales and services to our customers, including jewellery fitting and maintenance services, which we believe are indispensable to the jewellery shopping experience, at our CSmall Shops. The Group optimised its strategic deployment in the current year, and closed 61 stores and opened 84 new stores. As of 31 December 2019, we had 121 CSmall Shops located in 25 provinces and municipalities in the PRC, of which 7 are new provinces and municipalities, consisting of 12 self-operated CSmall Shops and 109 franchised CSmall Shops with presence in Anhui, Beijing, Chongqing, Fujian, Guangdong, Hebei, Heilongjiang, Henan, Hubei, Hunan, Inner Mongolia, Jiangsu, Jiangxi, Jilin, Liaoning, Ningxia, Shaanxi, Shandong, Shanghai, Sichuan, Tianjin, Xi'an, Xinjiang, Yunnan and Zhejiang.



Shops Distribution **Total: 121**

Zhejiang	50	Tianjin	3
Anhui	7	Chongqing	2
Shanghai	7	Sichuan	2
Jiangsu	6	Xi'an	2
Henan	5	Xinjiang	2
Beijing	4	Yunnan	2
Inner Mongolia	4	Hebei	1
Shandong	4	Hunan	1
Fujian	3	Jilin	1
Guangdong	3	Liaoning	1
Heilongjiang	3	Ningxia	1
Hubei	3	Shaanxi	1
Jiangxi	3		

CHAIRMAN'S STATEMENT

(ii) Shenzhen Exhibition Hall

We sell products at our Shenzhen Exhibition Hall with a gross floor area of approximately 1,500 square meters in Shuibei, Shenzhen, which is generally believed to be home to PRC's largest and leading jewellery trading and wholesale market. Our Shenzhen Exhibition Hall showcases the product designs of our self-owned brands and certain third-party brands, and also serves as an interactive exhibition and sales platform primarily for our wholesale customers as well as our franchisees.

(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.

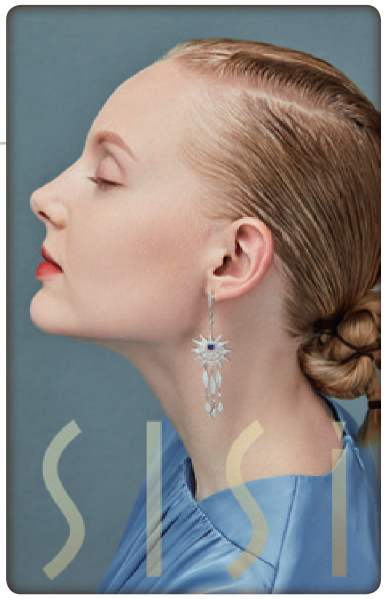
CHAIRMAN'S STATEMENT

New Retailing Model

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

(i) Turning jewellery into accessory

With the rise of young customers and the heightening of spending level, jewellery is becoming more fashionable and personalized. We will continue to embrace the product philosophy of affordable luxury and fast fashion, build the fashionable ear accessory brand of SISI and regularly roll out a wide selection of affordable jewellery products with diversified and fashionable designs to keep pace with the evolving market trend and the growing demand for affordable jewellery products in the PRC.



CHAIRMAN'S STATEMENT

(ii) Blending silverware into daily life

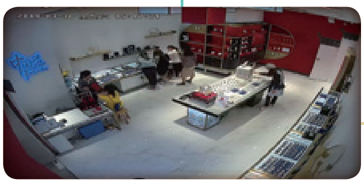
Practical silver products such as tableware, tea sets and wineware have become another mainstream development trend in the precious metal gift market. We have strengthened the design and research and development of silver gift products to produce more refined and practical silverwares with the aim of truly integrating precious metal gifts into people's daily lives. Our silver products are full of exquisite oriental aesthetics. They are made of rare raw ore and carefully processed using traditional craft to become fashionable silver jewellery and healthy silverware that meet contemporary aesthetics.

(iii) Injecting artistic creativity into products

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

CHAIRMAN'S STATEMENT

(iv) Intelligentizing service



The Group owns a powerful technology research and development team. One of the subsidiaries of the Group, Shenzhen Yunpeng Software Development Company Limited (深圳雲鵬軟件開發有限公司), was a high-tech enterprise in the PRC. We created a smart marketing decision support system for jewellery industry. Through collecting and analysing data from both online platforms and offline stores, such system provides valuable information on customers behaviour and preferences, thereby allowing retailers to gain an insight into operational and business strategies. Big data analysis not only allows us to understand customer behaviors and preferences, but also equips us with insight into our operations and business strategies, helping to provide consumers with enhanced shopping experience and better products.

PROSPECTS

Against a backdrop of uncertainty in world economy and politics, the retail industry plunged into recession and became even worse with the outbreak of the novel coronavirus ("**COVID-19**"). However, as market turmoil intensifies, people are buying more gold and jewellery as a hedge against risks, which we believe will revive the retail of gold and jewellery. The headwinds faced by traditional enterprises and the traditional retail market are forcing them into a reshuffle. This, in the short term, poses a severe threat to the development of the retail industry, but is positive to innovative jewellery retailers like us in terms of industry restructuring. Therefore, the Group will ride on such a reshuffle to make the most of innovative jewellery retailing through the digitised operation of shops and internet-based media operation and ultimately gain market share.

We do not expect COVID-19 to last long but will remain vigilant in the tough retail environment. The Group has been proactively introducing such new marketing modes as short video and e-commerce live streaming. Relying on smart technologies, big data and robust supply chains, we intend to accelerate digital marketing and build a powerful new online and offline integrated jewellery retail platform by empowering traditional jewellery sellers and integrating the traditional jewellery industry. Meanwhile, we will not neglect the deployment of offline channels. The Group's franchisees are well-financed and demonstrate strong anti-risk capabilities. Added to that, with the introduction of Mr. Yao Runxiong, chairman of King Tai Fook which owns over 1,000 jewellery stores across China, as a strategic shareholder of the Company in August 2019, our future expansion plan for our offline retail network will continue to be implemented steadily this year.

With the rapid increase in the per capita disposable income of citizens living in third-tier cities and below, their purchasing power has been increasing. Coupled with the rise of young customers and the improvement in their quality of life, happy consumption has become a must, which provides solid support for the consumption of gold and silver jewellery. We will seize new opportunities to strengthen the digitised operation of shops and new types of user traffic interaction methods such as short videos and live broadcasts, thereby overcoming the ecological restrictions of the traditional jewellery industry, reconceptualising customer experience and ultimately achieving performance growth.

In addition, the Group has in place well-developed technologies, systems and capabilities in digitization, big data, artificial intelligence and supply chain, making it a leader among internet-based new retail enterprises that are online-and-offline integrated and specialised in vertical fields. Thus, the Group may take advantage of its capabilities, experience and resources in looking for opportunities to make foray into other specialised vertical fields and create new growth points for the Group in due course.

We look forward to economic recovery after the epidemic and expect the Group to expand its market share amidst the reshuffle of the traditional jewellery industry and maintain profitable.

Chen He
Chairman

Hong Kong, 8 May 2020

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 December 2019 was approximately RMB1,249.0 million (2018: RMB2,497.8 million), representing a decrease of approximately 50.0% from that of 2018. This was a result of the market environment affected by economic slowdown and, more importantly, the Group's proactive strategic adjustment whereby it changed its promotion strategy from attracting user traffic through low-margin gold bars in the first stage to the optimisation of product mix and promotion of high-margin products.

	2019		2018	
	Revenue *RMB'000*	% of revenue	Revenue *RMB'000*	% of revenue
Online Sales Channels				
Self-operated online platform	460,896	36.9%	1,157,075	46.3%
Third-party online sales channels	325,273	26.0%	541,975	21.7%
	786,169	62.9%	1,699,050	68.0%
Offline Sales and Service Network				
CSmall Shops	269,000	21.5%	660,560	26.5%
Shenzhen Exhibition Hall	175,609	14.1%	47,072	1.9%
Third-party offline points of sale	2,145	0.2%	8,154	0.3%
	446,754	35.8%	715,786	28.7%
CSmall Gift Initiatives	16,065	1.3%	83,013	3.3%
Total	1,248,988	100%	2,497,849	100%

MANAGEMENT DISCUSSION AND ANALYSIS

Online Sales Channels

During the year, the online sales channels recorded sales of approximately RMB786.2 million (2018: RMB1,699.0 million), representing a decrease of approximately 53.7%, 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 retail market.

Offline Sales and Service Network

During the year, the offline sales and service network recorded sales of approximately RMB446.8 million (2018: RMB715.8 million), representing a decrease of approximately 37.6%, mainly due to the strategic reduction of the sale of low-margin first hand gold bars coupled with an increase in the sale of high-margin silver and jewellery products.

CSmall Gift Initiatives

Revenue from our CSmall Gift Initiatives for the year ended 31 December 2019 was approximately RMB16.1 million (2018: RMB83.0 million), representing a decrease of approximately 80.7%, mainly because our CSmall Gift partners have shifted certain of their purchases to our online and offline sales channels.

Cost of Sales and Services Provided

Cost of sales decreased from approximately RMB2,182.7 million for the year ended 31 December 2018 to approximately RMB1,029.3 million for the year ended 31 December 2019, representing a decrease of approximately 52.8%, mainly due to the decrease in our overall revenue during the year.

Gross Profit and Gross Profit Margin

We recorded gross profit of approximately RMB219.7 million (2018: RMB315.2 million) for the year ended 31 December 2019, a decrease of approximately 30.3% as compared to that of 2018, which was mainly attributable to the decrease in overall revenue during the year. The overall gross profit margin increased from approximately 12.6% to approximately 17.6%, primarily attributable to the adjustments to our sale strategy as we optimised our product mix to focus on the sale of a more diverse product offering and the promotion of high-margin silver and jewellery products.

Other Income, Gains and Losses

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

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Selling and distribution expenses increased significantly by approximately 12.9% from approximately RMB48.4 million for the year ended 31 December 2018 to approximately RMB54.6 million for the year ended 31 December 2019. However, if the one-off and non-cash share-based payment expenses of approximately RMB19.4 million for the year ended 31 December 2019 (please refer to the section headed "MANAGEMENT DISCUSSION AND ANALYSIS – Significant Investment Held, Material Acquisition and Disposal" for details) were excluded, the selling and distribution expenses would have decreased by approximately 27.3% from approximately RMB48.4 million for the year ended 31 December 2018 to approximately RMB35.2 million for the year ended 31 December 2019, primarily as a result of the decrease in advertising and promotion expenses in line with the decrease in our overall revenue in current year.

Administrative Expenses

Administrative expenses increased significantly by approximately 99.2% from approximately RMB68.4 million for the year ended 31 December 2018 to approximately RMB136.3 million for the year ended 31 December 2019. However, if the one-off and non-cash share-based payment expenses of approximately RMB63.6 million for the year ended 31 December 2019 (please refer to the section headed "MANAGEMENT DISCUSSION AND ANALYSIS – Significant Investment Held, Material Acquisition and Disposal" for details) were excluded, the administrative expenses would have increased by approximately 6.3% from approximately RMB68.4 million for the year ended 31 December 2018 to approximately RMB72.7 million for the year ended 31 December 2019, primarily due to the increase in directors' emoluments and legal and professional fees.

Other Expenses

Other expenses plummeted to approximately RMB0.1 million for the year ended 31 December 2019 from approximately RMB10.1 million for the year ended 31 December 2018, mainly because a donation of RMB10 million was made to a museum in 2018 to promote silver products in the PRC, namely Jingning She Autonomous County Sheyin Museum (景寧畲族自治縣畲銀博物館), pursuant to a cooperation agreement entered into between the Group and the People's Government of the Jingning She Autonomous County (景寧畲族自治縣人民政府), while no such expenses were recorded during the year.

Listing Expenses

Listing expenses for the year ended 31 December 2018 represent expenses incurred in connection with the Listing and the global offering of the Company (the "**Global Offering**") such as underwriting commissions and professional fees paid to our reporting accountants, legal advisers and other professional advisers for their services rendered. No listing expense was recorded for the current year (2018: RMB9.3 million).

Income Tax Expense

The amount decreased primarily due to the decrease in profit before tax.

MANAGEMENT DISCUSSION AND ANALYSIS

(Loss) Profit for the year

Because of the one-off and non-cash share-based payment expenses of approximately RMB83.0 million in relation to the issuance of the new shares under the new employee share scheme of the Company for the year ended 31 December 2019 (please refer to the section headed "MANAGEMENT DISCUSSION AND ANALYSIS – Significant Investment Held, Material Acquisition and Disposal" for details), we recorded a net loss for the year of approximately RMB5.1 million for the year ended 31 December 2019, while we recorded a net profit for the year of approximately RMB142.7 million for the year ended 31 December 2018. However, if the one-off and non-cash share-based payment expenses were excluded, we would have recorded a net profit for the year ended 31 December 2019 of approximately RMB77.9 million, representing a decrease of approximately 45.4% as compared with that of last year, mainly due to the decrease in our overall revenue in the current year.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group's inventories mainly comprise silver bars, jewellery products and gold bars. For the year ended 31 December 2019, inventory turnover days were approximately 148.9 days (for the year ended 31 December 2018: 61.2 days) mainly due to less inventory being sold and the change of product mix.

The turnover days for trade receivables for the year ended 31 December 2019 were approximately 81.5 days (for the year ended 31 December 2018: 18.6 days) mainly due to relatively more sales generated towards the end of 2019 resulting in increased trade receivables at the year end.

The turnover days for trade payables for the year ended 31 December 2019 were approximately 54.1 days (for the year ended 31 December 2018: 31.4 days) mainly due to the decline in cost of sales which outweighed the decline in the average trade payables for the current year.

Borrowings

As of 31 December 2019, the Group's trade loans balance amounted to approximately RMB19.4 million (as of 31 December 2018: Nil). The amount was carried at a fixed interest rate of 5.66% per annum. The amounts would be due for repayment within one year.

The Group's net gearing ratio was calculated on the basis of the trade loans less bank balances and cash as a percentage of total equity. As of 31 December 2019, the Group was in a net cash position with a net gearing ratio of approximately -26.1% (as of 31 December 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditures

For the year ended 31 December 2019, the Group invested approximately RMB0.47 million in property, plant and equipment (2018: RMB7.9 million).

For the year ended 31 December 2019, the Group paid additional deposits and other direct cost of approximately RMB110.9 million in relation to the acquisition of land use right (2018: RMB138.0 million).

Pledge of Assets

As at 31 December 2019, assets with the following carrying amounts were pledged to secure the trade loans of the Group.

	2019 **RMB'000**	2018 RMB'000
Inventories	**30,000**	–
Trade receivables	**75,000**	–
	105,000	–

In addition, as at 31 December 2019, the trade loans of the Group were secured by (i) personal guarantees executed by Mr. Chen He (a director of the Company) and Mr. Chen Wantian (a director of China Silver Group Limited ("**China Silver Group**")) and their respective spouses; and (ii) a corporate guarantee executed by China Silver Group (2018: no such guarantees).

Capital Commitments

	2019 **RMB'000**	2018 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– Land use right	**95,467**	182,932
– Property, plant and equipment	**1,100**	–
– Intangible assets	**12,140**	–
	108,707	182,932

Contingent Liabilities

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

MANAGEMENT DISCUSSION AND ANALYSIS

Employees

As of 31 December 2019, the Group employed 336 staff members (as of 31 December 2018: 353 staff members) and the total remuneration for the year ended 31 December 2019 amounted to approximately RMB123.9 million (2018: RMB45.4 million). The Group's remuneration packages are in line with the current laws 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 year. The Group was principally financed by internal resources, net proceeds received from the Global Offering and trade loans. The Group's principal financial instruments comprise bank balances and cash, trade and other receivables, as well as trade and other payables and trade loans. As of 31 December 2019, the bank balances and cash, net current assets and total assets less current liabilities were approximately RMB393.3 million (as of 31 December 2018: RMB269.0 million), RMB1,153.0 million (as of 31 December 2018: RMB1,063.4 million) and RMB1,436.1 million (as of 31 December 2018: RMB1,220.0 million), respectively. As of 31 December 2019, the Group had trade loans amounting to approximately RMB19.4 million (as of 31 December 2018: Nil).

Dividend

No final dividend for the year ended 31 December 2019 was proposed (2018: Nil).

Significant Investment Held, Material Acquisition and Disposal

On 16 August 2019, an extraordinary general meeting of the Company was held to approve the transactions disclosed in the announcement jointly issued by the Company and China Silver Group on 6 May 2019 (the "**Joint Announcement**") and the circular of the Company 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**").

The completion of the Transactions took place on 30 August 2019 and new shares have been issued by the Company pursuant to the Transactions. Further details of the Transactions are set out in the Joint Announcement and the Circular.

The issuance of the new shares under the new employee share scheme of the Company was funded by the Company and no cash consideration was involved. The fair value of the new shares was approximately RMB83.0 million and recorded as one-off and non-cash share-based payment expenses of approximately RMB19.4 million and RMB63.6 million in the selling and distribution expenses and administrative expenses respectively for the year ended 31 December 2019.

Use of Proceeds from the Global Offering

The net proceeds received from the Global Offering amounted to approximately RMB329.3 million after deducting underwriting commission and all related expenses. The net proceeds have been and will continue to be used in a manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 28 February 2018 (the "**Prospectus**"). The unused amount of the net proceeds as at 31 December 2019 amounted to approximately RMB99.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The net proceeds received from the Global Offering had been used as follows during the year ended 31 December 2019:

	Unused amount as at 1 January 2019 RMB million	Used during financial year 2019 RMB million	Unused amount as at 31 December 2019 RMB million
Implement the CSmall Gift initiatives and other crossover marketing initiatives	45.0	22.6	22.4
Upgrade the IT systems and enhance the interface of self-operated online jewellery platform	33.1	21.0	12.1
Develop offline sales and service network	16.2	15.2	1.0
Upgrade the IT infrastructure and data management systems	29.8	0.8	29.0
Expand in-house design team and expand the warehouse and upgrade our order fulfilment facilities commensurate with the business needs	29.8	4.8	25.0
Brand development and targeted marketing campaigns	17.5	8.0	9.5
Working capital and other general corporate purposes	0.0	–	–
Total	**171.4**	**72.4**	**99.0**

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

Event after the Reporting Period

Subsequent to 31 December 2019, in response to the public health risks associated with the outbreak of COVID-19, the Group postponed its operation after Chinese New Year until February 2020 after considering both the health and safety of employees as well as the local policies in Jiangxi and Shenzhen where the Group has operation. The management of the Group will pay particular attention to the development of COVID-19 and perform further assessment of the financial impact on the Group due to COVID-19.

Given the dynamic nature of these circumstances and unpredictability of future development, the Board considers that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date these consolidated financial statements are authorised for issue.

The outbreak of COVID-19 is a non-adjusting event after the financial year end and does not result in any material adjustments to the consolidated financial statements for the year ended 31 December 2019.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 10 June 2020 to Monday, 15 June 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the annual general meeting to be held on Monday, 15 June 2020, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 9 June 2020 for registration of transfer.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHEN He (陳和), aged 35, is our Chairman, executive Director and co-CEO. Mr. Chen was appointed as an executive Director in February 2017. Mr. Chen joined the Group as a co-deputy general manager of Shenzhen Guoyintongbao Company Limited (深圳國銀通寶有限公司) ("**Shenzhen Guoyintongbao**") in October 2013, and has been serving as a president of the Group since July 2015. Mr. Chen has been the driving force behind our development, growth and expansion and is primarily responsible for the overall management of our Group and for directing strategic developments and business plans of our Group. Mr. Chen is currently a director of several of our principal operating subsidiaries, namely Shenzhen Guoyintongbao, Shenzhen Guojintongbao Company Limited (深圳國金通寶有限公司), Jingning Sheyin Culture Company Limited (景寧畲銀文化有限公司) and Baiyin Town (Shanghai) Cultural Industry Company Limited (白銀小鎮(上海)文化產業有限公司).

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

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

Mr. ZHANG Jinpeng (張金鵬), aged 39, was appointed as our executive Director in February 2017. Mr. Zhang has been the co-CEO and president of the Group since December 2016. Mr. Zhang joined the Group in October 2013, where he then served as the co-deputy general manager of the Group till November 2016. Mr. Zhang is primarily responsible for managing the technology centre and market centre of the Group. He is also responsible for online business operations and the management of the Group.

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. QIAN Pengcheng（錢鵬程）, aged 36, was appointed as our executive Director in February 2017. He has also been the financial manager of the Group since he joined the Group in October 2013. Mr. Qian is responsible for managing the financial department of the Group. Prior to joining the Group, Mr. Qian worked as a financial clerk at Longtianyong, from January 2006 to December 2010, and served as the financial supervisor of Longtianyong from January 2011 to September 2013.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FU Lui（府磊）, aged 39, was appointed as the independent non-executive Director of the Company in March 2018. Mr. Fu is primarily responsible for supervising and providing independent judgment and analysis to the Board. Mr. Fu has over 15 years of experience in accounting and financial management. He is the financial controller and company secretary of China Uptown Group Company Limited (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), code: 2330) since July 2010.

From June 2016 to August 2019, Mr. Fu was an independent non-executive director and the chairman of the audit committee of Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited, which changed its name on 3 December 2018) (a company listed on the Main Board of the Stock Exchange, code: 1573). From September 2006 to June 2010, Mr. Fu was the finance manager of CSPC Pharmaceutical Group Limited (a company listed on the Main Board of the Stock Exchange, code: 1093), and from September 2002 to September 2006, Mr. Fu served as an accountant in the audit department at Deloitte Touche Tohmatsu.

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

Mr. HU Qilin, aged 49, was appointed as the independent non-executive Director of the Company in March 2018. Mr. Hu is primarily responsible for supervising and providing independent judgment and analysis to the Board. Mr. Hu has substantial experience in the area of internet finance, corporate management and operations. He has served as the general manager of BaiduPay Science and Technology Co., Ltd., a subsidiary of Baidu, in Beijing, the PRC from August 2016 till January 2017. Mr. Hu has served as a Venture Partner of Sequoia Capital Consulting (Beijing) Co., Ltd. from March 2017 to October 2018. Mr. Hu has served as a Managing Director of HINA Investment (Beijing) Group, Ltd. since November 2018.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. ZHANG Zuhui (張祖輝), aged 47, was appointed as the independent non-executive Director of the Company in March 2018. Mr. Zhang is responsible for supervising and providing independent judgment and analysis to the Board.

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

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

SENIOR MANAGEMENT

Mr. Chan Hon To (陳瀚濤), aged 43, was appointed as the chief financial officer (the "**CFO**") of the Group on 17 May 2019. He is responsible for the overall financial management, tax, treasury, investor relations and corporate finance matters of the Group. He has over 20 years of experience in auditing, accounting, corporate finance, investor relations, funding raisings and company secretaryship. Prior to joining the Group, he held senior management positions as vice president-strategic investment, chief financial officer and group financial controller in several listed companies in Hong Kong. He has also gained extensive experience in auditing and initial public offering exercise during his service with Deloitte Touche Tohmatsu in Hong Kong and the United States of America from 2002 to 2009. He is a Fellow Member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Throughout the year ended 31 December 2019, the Company has complied with the code provisions under the CG Code except for code provision A.2.1.

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

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

The Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer of the Company in due course after taking into account of the then overall circumstances of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2019.

BOARD OF DIRECTORS

(i) Board Composition

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

Executive Directors

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

Independent non-executive Directors

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

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

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

(ii) Board Functions and Duties

The principal functions and duties conferred to the Board include:

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

CORPORATE GOVERNANCE REPORT

(iii) Management Functions and Duties

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

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

(iv) Board Meetings

During the year ended 31 December 2019, there were six board meetings held, at which the Directors approved, among other things, the annual results of the Group for the year ended 31 December 2018 and the interim results of the Group for the six months ended 30 June 2019.

Prior notices convening the board meeting were despatched to the Directors before the board meetings setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved to enable the Directors to make informed decisions.

(v) Attendance Record

The following is the attendance record of the Directors at board meetings and the general meetings of the Company during the year ended 31 December 2019:

	Attendance/Number of Meetings		
	Board meetings	Annual general meeting	Extraordinary general meeting
Executive Directors			
Mr. Chen He (Chairman)	6/6	1/1	1/1
Mr. Zhang Jinpeng	6/6	1/1	1/1
Mr. Qian Pengcheng	6/6	1/1	1/1
Independent non-executive Directors			
Mr. Fu Lui	6/6	1/1	1/1
Mr. Hu Qilin	6/6	1/1	1/1
Mr. Zhang Zuhui	6/6	1/1	1/1

(vi) Independent Non-executive Directors

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

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

(vii) Appointment and Re-election of Directors

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

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

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

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

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

(viii) Directors' Remuneration

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

(ix) Board Diversity

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

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

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

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

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

(x) Director Nomination

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

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

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

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

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

(xi) Directors' Continuous Training and Development

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors are committed to complying with code provision A.6.5 under the CG Code on Directors' training. All Directors have participated in continuous professional development and provided a record of training they received during the year ended 31 December 2019 to the Company.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

During the year ended 31 December 2019, the Audit Committee held three meetings. The members of Audit Committee reviewed and discussed with the external auditors of the Company the Group's audited consolidated financial statements for the year ended 31 December 2018 and condensed consolidated financial statements for the six months ended 30 June 2019. They were of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made. They also reviewed significant issues on the financial reporting, appointment of external auditors and engagement of non-audit services and relevant scope of works, and connected transactions. Additional meeting may also be held by the Audit Committee from time to time to discuss special projects or other issues which it considers necessary. The external auditors of the Group may request a meeting of the Audit Committee to be convened if they consider that is necessary.

The main duties of the Audit Committee are as follows:

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

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

	Attendance at meetings
Mr. Fu Lui (Chairman)	3/3
Mr. Hu Qilin	3/3
Mr. Zhang Zuhui	3/3

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the total fee paid/payable in respect of audit services to the external auditor of the Group, Deloitte Touche Tohmatsu, was approximately RMB2,047,000. In addition, approximately RMB264,600 was charged for non-audit services.

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

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

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

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

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 53 to 59.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

The Group also established an internal audit department (the "**Internal Audit Department**") to provide the Board and the management with useful information and recommendations on the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department is authorised by the Board to have access to all records, people and physical properties relevant to the performance of internal audit. The head of Internal Audit Department has unrestricted access to the chairman of the Audit Committee and reports directly to the Audit Committee for direction and accountability. During the year, the Internal Audit Department has performed independent review of the adequacy and effectiveness of the design and implementation of the risk management and internal control systems and make appropriate recommendations for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

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

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

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

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

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

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

During the year ended 31 December 2019, the Audit Committee carried out a review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions and discussed with the Internal Audit Department on the effectiveness and adequacy of the Company's system and procedures. The Board and the Audit Committee considered that the risk management and internal control systems of the Group were adequate and effective for the year ended 31 December 2019.

NOMINATION COMMITTEE

The Board established the Nomination Committee with written terms of reference in compliance with the CG Code. Under code provision A.5.1 of the CG Code, a majority of the members of the nomination committee should be independent non-executive directors and the nomination committee should be chaired by the chairman of the Board or an independent non-executive director. The Nomination Committee comprises Mr. Chen He (Chairman), Mr. Zhang Zuhui and Mr. Fu Lui, with the latter 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 assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board Diversity Policy, including but not limited to professional qualifications, regional and industry experience, cultural and educational background, skills, industry knowledge and reputation, gender, ethnicity, language skills and length of service. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

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

During the year ended 31 December 2019, the Nomination Committee held one meeting. The members of Nomination Committee reviewed and discussed the current structure, size and composition of the Board and the independence of the independent non-executive Directors and considered the qualifications of the retiring Directors standing for election at the annual general meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board Diversity Policy.

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

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

REMUNERATION COMMITTEE

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

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

During the year ended 31 December 2019, the Remuneration Committee held one meeting. The members of Remuneration Committee reviewed and made recommendations to the Board on the remuneration policy and the remuneration packages of the Directors and senior management of the Company.

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

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

EMOLUMENT POLICIES

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

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

	2019 Number of individuals	2018 Number of individuals
Not exceeding HK$1,000,000	**1**	1
HK$2,500,001 – HK$3,000,000	**–**	1

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

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

During the year ended 31 December 2019, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and similar written guidelines for employees, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

MEETING WITH INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

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

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

During the year ended 31 December 2019, Ms. Chan Sau Ling undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules while serving other listed companies.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

THE WAY BY WHICH SHAREHOLDERS CAN CONVENE AN EXTRAORDINARY GENERAL MEETING

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

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited to the Board or the company secretary at the Company's principal place of business in Hong Kong at Unit 1415, China Merchants Tower, 168– 200 Connaught Road Central, Sheung Wan, Hong Kong and may consist of several documents in like form each signed by one or more requisitionists.

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

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

THE PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

The enquiries must be in writing with contact information of the requisitionists for the attention of the Directors or management of the Company, by email: CSmall@hkstrategies.com, by fax: (852) 2576 1990, or mail to the Company's principal place of business in Hong Kong at Unit 1415, China Merchants Tower, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

THE PROCEDURES FOR MAKING PROPOSALS AT SHAREHOLDERS' MEETINGS

After the publication of the notice of a general meeting by the Company, according to Article 113 of the Articles of Association, if a shareholder of the Company wishes to propose a person (the "**Candidate**") for election as a Director at a general meeting, he/she shall deposit a written notice (the "**Notice**") at the Company's principal place of business in Hong Kong at Unit 1415, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong or at the office of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The Notice (a) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (b) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information. The period for lodgement of the Notice shall commence on the day after the despatch of the notice of general meeting and end no later than seven days prior to the date of such general meeting. In order to allow the Company's shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, shareholders who wish to make the proposal are urged to submit and lodge the Notice as early as practicable before the relevant general meeting.

POLICY RELATING TO SHAREHOLDERS

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

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, the Company has not made any change to the Articles. An up to date version of the Company's memorandum and articles of association is available on the Company's website and the Stock Exchange's website.

On behalf of the Board
Chen He
Chairman

Hong Kong, 8 May 2020

REPORT OF THE DIRECTORS

The Directors are pleased to report the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion on the Group's future business development and an analysis of the Group's performance during the year ended 31 December 2019 using financial key performance indicators are provided in the sections headed "Chairman's Statement" on pages 8 to 15 and "Management Discussion and Analysis" on pages 16 to 22 of this annual report which form part of this report.

(i) Principal risks and uncertainties

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

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

(ii) Environmental policies and performance

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

(iii) Compliance with laws and regulations

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Company is aware, during the year ended 31 December 2019, there was no material breach of or non-compliance with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

(iv) Relationships with key stakeholders

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

(a) Employees

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

(b) Customers

The Group's principal customers are retail and corporate customers of New Jewellery Retail business. The Group has the mission to provide excellent services and products whilst maintain our long-term profitability, business and asset growth. Various means have been established to strength the communication between the customers and the Group in the provision of excellent services and products.

(c) Suppliers

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

(d) Shareholders

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

REPORT OF THE DIRECTORS

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 60 of this report.

The Board has resolved not to recommend payment of a final dividend for the year ended 31 December 2019 (for the year ended 31 December 2018: Nil). No interim dividend has been declared for the year ended 31 December 2019.

FIVE YEARS' FINANCIAL SUMMARY

A financial summary of the Group for the last five years is set out on page 128 of this report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the Group's sales to its five largest customers and its largest customer accounted for 23.4% (2018: 40.1%) and 7.5% (2018: 10.9%) of the Group's total sales respectively.

For the year ended 31 December 2019, the Group's five largest suppliers and the largest supplier accounted for 97.5% (2018: 71.8%) and 33.6% (2018: 23.6%) of the Group's total purchases respectively.

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

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 28 to the consolidated financial statements.

REPORT OF THE DIRECTORS

RESERVES

Movements in reserves of the Group during the year ended 31 December 2019 are set out in page 62 of this report.

As of 31 December 2019, the reserves of our Company available for distribution to shareholders amounted to RMB1,095,826,000 (2018: RMB982,197,000).

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

BORROWINGS

Details of trade loans of the Group as of 31 December 2019 are set out in note 25 to the consolidated financial statements.

DIRECTORS

The Directors for the year ended 31 December 2019 and up to the date of this report are:

Executive Directors:

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

Independent Non-Executive Directors:

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

BOARD OF DIRECTORS

Biographical details of the Directors are set out on pages 23 to 25 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company, based on such confirmations, considers such Directors to be independent for the year ended 31 December 2019.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed in this report, no Director or entity connected with a Director had a material interest in, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its holdings companies, subsidiaries or fellow subsidiaries was a party and which subsisted at the end of or at any time during the year ended 31 December 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

EMOLUMENT POLICY

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

The Company has adopted two employee share schemes as incentives to eligible employees, details of which are set out in the paragraph headed "Equity-Linked Agreements" below.

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

Details of the emoluments of the Directors, chief executives and five highest paid individuals are set out in note 13 to the consolidated financial statements.

REPORT OF THE DIRECTORS

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

As at 31 December 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 SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity/Nature of interest	Number of Shares[1]	Approximate percentage of interest in our Company
Mr. Chen He[2]	Interest in a controlled corporation	21,250,000	1.72%
Mr. Qian Pengcheng[3]	Interest in a controlled corporation	14,500,000	1.17%
Mr. Zhang Jinpeng[4]	Interest in a controlled corporation	12,500,000	1.01%

Notes:

(1) All interests are long positions.

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

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

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

Save as disclosed above, as at 31 December 2019, none of the Directors and the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2019 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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

So far as known to the Directors, the register of substantial shareholders required to be kept by our Company under Section 336 of Part XV of the SFO shows that as of 31 December 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" above, our Company was notified of the following substantial shareholders' interests and short positions in the Shares and underlying Shares, being interests of 5% or more.

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest in our Company
China Silver Group	Beneficial owner	500,000,033	40.39%
Blaze Loop Limited	Beneficial owner	166,025,000	13.41%
Mr. LIN Ting (林挺) [2]	Interest in a controlled corporation	166,025,000	13.41%
Mr. YAO Runxiong (姚潤雄)	Beneficial owner	100,000,000	8.08%
Ascend Delight Holdings Limited	Beneficial owner	84,287,040	6.81%
Ms. XUE Meiqi (薛美琪) [3]	Interest in a controlled corporation	84,287,040	6.81%

Notes:

(1) All interests are long positions.

(2) Blaze Loop Limited was formed under the Pre-IPO Employee Share Scheme (as defined in the paragraph headed "Equity-Linked Agreements" below) and is directly wholly owned by Mr. Lin Ting. Accordingly, Mr. Lin Ting is deemed to be interested in the 166,025,000 Shares held by Blaze Loop Limited by virtue of the SFO. Mr. Lin Ting is an employee of the Group and the trustee under the Pre-IPO Employee Share Scheme.

(3) Ascend Delight Holdings Limited was formed under the Post-IPO Employee Share Scheme (as defined in the paragraph headed "Equity-Linked Agreements" below) and is directly wholly owned by Ms. Xue Meiqi. Accordingly, Ms. Xue Meiqi is deemed to be interested in the 84,287,040 Shares held by Ascend Delight Holdings Limited by virtue of the SFO. Ms. Xue Meiqi is an employee of the Group and the trustee under the Post-IPO Employee Share Scheme.

Except as disclosed above, as at 31 December 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.

REPORT OF THE DIRECTORS

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended to 31 December 2019.

PRE-EMPTIVE RIGHTS

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

NON-COMPETITION UNDERTAKING

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

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

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

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

Our independent non-executive Directors will consider on an annual basis whether our Controlling Shareholder has complied with the terms set forth in the Deed of Non-Competition. Our independent non-executive Directors may appoint independent advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-Competition at the cost of our Company. We will disclose in our annual report decisions or determinations, with basis, in relation to matters reviewed by the independent non-executive Directors regarding: (i) the Business Opportunities offered by any of our Controlling Shareholder to us; and (ii) whether any activity or business or proposed activity or business of any of our Controlling Shareholder or its Affiliates competes or is likely to compete, either directly or indirectly, with the Restricted Business.

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

China Silver Group has provided a written confirmation to the Company confirming that it has complied with the terms of the Deed of Non-Competition for the year ended 31 December 2019. The independent non-executive Directors have also reviewed the status of compliance by China Silver Group and confirmed that, as far as they can ascertain, China Silver Group has complied with the terms of the Deed of Non-Competition.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this report, as of 31 December 2019, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CONNECTED TRANSACTIONS

Details of the related party transactions during the year ended 31 December 2019 are set out in note 36 to the consolidated financial statements.

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

We have, through our wholly owned subsidiaries, Shenzhen Guoyintongbao and Jiangxi Jiyin Company Limited (江西吉銀實業有限公司) ("**Jiangxi Jiyin**"), entered into a framework purchase agreement with Longtianyong on 19 February 2018 in relation to the sourcing of silver ingots and related raw materials from Longtianyong (the "**Framework Purchase Agreement**"). The annual cap for the year ended 31 December 2019 under the Framework Purchase Agreement was RMB500 million and the total amount of purchase under the Framework Purchase Agreement during the year ended 31 December 2019 was approximately RMB317.9 million.

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

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

(b) on normal commercial terms;

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

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

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

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

EQUITY-LINKED AGREEMENTS

Pursuant to the Company's pre-IPO employee share scheme adopted on 6 June 2016 and reconstituted on 16 February 2017 (the "**Pre-IPO Employee Share Scheme**"), Mr. Lin Ting, an employee of the Group, acts as the trustee and holds 166,025,000 Shares on trust for the benefit of himself and other 57 scheme participants. Please refer to the section headed "History, Reorganisation and Group Structure" in the Prospectus for further details of the Pre-IPO Employee Share Scheme, which was referred to as the "Employee Share Scheme" therein.

Pursuant to the Company's post-IPO employee share scheme adopted on 6 May 2019 (the "**Post-IPO Employee Share Scheme**"), Ms. Xue Meiqi, an employee of the Group, acts as the trustee and holds 84,287,040 Shares on trust for the benefit of 40 scheme participants. Please refer to the circular of the Company dated 31 July 2019 for further details of the Post-IPO Employee Share Scheme, which was referred to as the "New Employee Share Scheme" therein.

The 166,025,000 Shares under the Pre-IPO Employee Share Scheme were issued to Blaze Loop Limited (a wholly-owned investment holding vehicle of Mr. Lin Ting) on 16 February 2017. The 84,287,040 Shares under the Post-IPO Employee Share Scheme were issued to Ascend Delight Holdings Limited (a wholly-owned investment holding vehicle of Ms. Xue Meiqi) on 30 August 2019. Details of such Shares held by Mr. Lin Ting and Ms. Xue Meiqi are set out in the paragraph headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" above. No further Shares will be issued pursuant to the Pre-IPO Employee Share Scheme and the Post-IPO Employee Share Scheme.

Other than the Pre-IPO Employee Share Scheme and the Post-IPO Employee Share Scheme, no equity-linked agreements that will or may result in the Company issuing Shares or requiring the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year ended 31 December 2019 or subsisted at the end of the year.

CHARITABLE DONATIONS

The Group did not make any charitable donations during the year ended 31 December 2019. During the year ended 31 December 2018, the Group (i) made a charitable donation of HK$1 million in connection with the stock code balloting for the Listing; and (ii) made a charitable donation of RMB10 million to a museum which aims to promote silver products in the PRC, namely Jingning She Autonomous County Sheyin Museum（景寧畲族自治縣畲銀博物館）, pursuant to a co-operation agreement entered into between the Group and the People's Government of the Jingning She Autonomous County（景寧畲族自治縣人民政府）.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

We mainly operate in the PRC with most of the transactions settled in RMB and therefore have minimal exposure to foreign exchange risk. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will closely monitor such risk on an ongoing basis. For a detailed discussion, please refer to note 33(b) to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial reporting processes, risk management and internal control systems of the Group and discussed with the external auditors the audited consolidated financial statements for the year ended 31 December 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.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES AND SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct throughout the year ended 31 December 2019.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

Pursuant to article 191 of the Company's articles of associations, every Director is entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of the duties of his office or otherwise in relation thereto (except such is incurred or sustained through his own fraud or dishonesty). Such provision is currently in force as of the date of this report and was in force throughout the year ended 31 December 2019.

The Company has taken out and maintained appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company throughout the year ended 31 December 2019.

TAX RELIEF

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

CORPORATE GOVERNANCE

The Company is committed to the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 26 to 40 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, have been held by the public at all times for the year ended 31 December 2019 and up to the date of this report.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as our auditor. The Company has appointed Messrs. Deloitte Touche Tohmatsu as the auditor of the Company since the date of preparation of its listing.

On behalf of the Board
Chen He
Chairman

Hong Kong, 8 May 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of CSMall Group Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 60 to 127, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue generated from self-operated online platform	
We identified recognition of revenue generated from self-operated online platform as a key audit matter as the relevant sales transactions were conducted through the Group's self-operated online platform from receiving the sales orders to arranging the delivery and the total revenue amount and volume involved are significant. The recognition of such revenue is highly dependent on data flow accuracy of and the IT controls over the online platform. Hence, it gives rise to an inherent risk that such revenue could be misstated or subject to manipulation. The Group's revenue generated from self-operated online platform is recognised when the ordered goods are delivered or picked up, being the time when customers obtain control over the goods. The accounting policy for revenue recognition and related performance obligations are disclosed in Notes 3 and 5(ii) to the consolidated financial statements, respectively. For the year ended 31 December 2019, revenue generated from self-operated online platform amounted to approximately RMB460,896,000, which is set out in Note 5(i) to the consolidated financial statements.	Our procedures in relation to the recognition of revenue generated from self-operated online platform included: • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls which govern such revenue recognition; • Engaging our internal IT specialists to assist us in testing the data flow accuracy and assessing the operating effectiveness of those IT controls which are relevant to the recognition of revenue; • Understanding the terms of delivery of the sales orders and assessing whether the management of the Group recognised the revenue in accordance with the Group's accounting policy and when Group's performance obligations are satisfactorily fulfilled;

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue generated from self-operated online platform (continued)	• Checking the supporting documents for recognition of the revenue including sales invoices, good delivery notes and/or evidence of the customers' acknowledgement of receipt of the goods on the self-operated online platform, on a sample basis; • Obtaining audit confirmations to confirm the sales transaction amounts from customers, on a sample basis, and performing alternative procedures for unreturned confirmations; and • Performing data analysis to identity unusual pattern and fluctuation of revenue generated from self-operated online platform and obtaining explanation from the management of the Group together with checking the relevant supporting documents.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified valuation of inventories as a key audit matter due to the significance of balance to the consolidated financial statements and significant management's judgement involved in the valuation process. As explained in Note 4 to the consolidated financial statements, the management regularly reviews its inventory levels and ageing analysis to identify potential valuation problem of inventories and estimates the net realisable value of those inventories based primarily on the current market conditions and subsequent selling price. Referring to Note 4 to the consolidated financial statements, the carrying amount of inventories in the consolidated statement of financial position as at 31 December 2019 amounted to RMB451,074,000, without any write-down being recognised.	Our procedures in relation to assessing the appropriateness of the valuation of the inventories included: • Obtaining an understanding of the Group's inventory provision policy and the management's processes in identifying potential valuation problem of inventories; • Testing the accuracy of the ageing analysis prepared by the management, on a sample basis, by tracing to good receipt notes; • Assessing whether potential valuation problem of inventories was properly identified after taking into account the current market conditions and ageing analysis; and • Comparing the actual selling prices of finished goods subsequent to year end, on a sample basis, to their carrying amounts to check whether the finished goods are measured at the lower of cost and net realisable value.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

8 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5	**1,248,988**	2,497,849
Cost of sales		**(1,029,314)**	(2,182,667)
Gross profit		**219,674**	315,182
Other income, gains and losses	7a	**9,297**	19,612
Selling and distribution expenses		**(54,606)**	(48,363)
Administrative expenses		**(136,291)**	(68,404)
Other expenses	7b	**(15)**	(10,095)
Impairment loss under expected credit loss model, net of reversal	9	**(7,432)**	(2,006)
Finance costs	8	**(447)**	–
Listing expenses		**–**	(9,285)
Profit before tax		**30,180**	196,641
Income tax expense	10	**(35,263)**	(53,964)
(Loss) profit and total comprehensive (expense) income for the year	11	**(5,083)**	142,677
		RMB	RMB
(Loss) earnings per share	14		
Basic		**(0.005)**	**0.14**
Diluted		**N/A**	**0.14**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**11,228**	14,987
Right-of-use assets	16	**8,775**	–
Intangible assets	17	**281**	2,463
Deferred tax assets	18	**4,058**	1,140
Deposits paid on acquisition of non-current assets	19	**258,795**	138,043
		283,137	156,633
CURRENT ASSETS			
Inventories	20	**451,074**	388,580
Trade and other receivables	21	**455,842**	702,415
Amount due from immediate holding company	22	**12,779**	10,600
Amount due from a fellow subsidiary	22	**262**	898
Bank balances and cash	23	**393,287**	269,007
		1,313,244	1,371,500
CURRENT LIABILITIES			
Trade and other payables	24	**101,771**	263,660
Trade loans	25	**19,428**	–
Lease liabilities – current portion	26	**5,340**	–
Contract liabilities	27	**10,080**	13,305
Amounts due to fellow subsidiaries	22	**2,634**	6,223
Amounts due to related companies	22	**9,010**	10,660
Income tax payable		**12,004**	14,250
		160,267	308,098
NET CURRENT ASSETS		**1,152,977**	1,063,402
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,436,114**	1,220,035
CAPITAL AND RESERVES			
Share capital	28	**842**	711
Reserves		**1,431,779**	1,219,324
TOTAL EQUITY		**1,432,621**	1,220,035
NON-CURRENT LIABILITY			
Lease liabilities – non-current portion	26	**3,493**	–
TOTAL EQUITY AND NON-CURRENT LIABILITY		**1,436,114**	1,220,035

The consolidated financial statements on pages 60 to 127 were approved and authorised for issue by the board of directors on 8 May 2020 and are signed on its behalf by:

CHEN HE	**ZHANG JINPENG**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Contribution reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000 (Note)	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	572	232,962	2,480	1,935	12,226	8	96,008	346,191
Profit and total comprehensive income for the year	–	–	–	–	–	–	142,677	142,677
Issue of shares in the Public Offer (as defined and detailed in Note 28 (iii))	122	372,914	–	–	–	–	–	373,036
Transaction costs directly attributable to the issue of new shares	–	(17,241)	–	–	–	–	–	(17,241)
Loan capitalisation by issuance of shares (as detailed in Note 28 (iii))	17	51,985	323,370	–	–	–	–	375,372
Transfer	–	–	–	–	10,398	–	(10,398)	–
At 31 December 2018	711	640,620	325,850	1,935	22,624	8	228,287	1,220,035
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(5,083)	(5,083)
Issue of shares to participants of New Employee Share Scheme (as defined and detailed in Note 28 (i))	60	82,948	–	–	–	–	–	83,008
Issue of shares to a strategic investor (as detailed in Note 28 (ii))	71	136,709	–	–	–	–	–	136,780
Transaction costs directly attributable to the issue of new shares	–	(2,119)	–	–	–	–	–	(2,119)
Transfer	–	–	–	–	2,160	–	(2,160)	–
At 31 December 2019	**842**	**858,158**	**325,850**	**1,935**	**24,784**	**8**	**221,044**	**1,432,621**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**30,180**	196,641
Adjustments for:		
Amortisation of intangible assets	**2,182**	2,437
Bank interest income	**(1,430)**	(2,081)
Depreciation of property, plant and equipment	**4,228**	3,638
Depreciation of right-of-use assets	**7,601**	–
Share-based payments	**83,008**	–
Finance costs	**447**	–
Impairment loss under expected credit loss model, net of reversal	**7,432**	2,006
Operating cash flows before movements in working capital	**133,648**	202,641
Increase in inventories	**(62,494)**	(45,797)
Decrease (increase) in trade and other receivables	**239,141**	(502,459)
Decrease (increase) in amount due from a fellow subsidiary	**898**	(898)
(Decrease) increase in trade and other payables	**(142,461)**	107,654
(Decrease) increase in contract liabilities	**(3,225)**	11,056
Cash generated from (used in) operations	**165,507**	(227,803)
Income tax paid	**(40,427)**	(57,432)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**125,080**	(285,235)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES		
Deposits and other direct costs paid on acquisition of a land use right	**(110,895)**	(138,043)
Deposits paid on acquisition of intangible assets	**(8,094)**	–
Advance to immediate holding company	**(2,323)**	(10,600)
Deposits paid on acquisition of property, plant and equipment	**(1,763)**	–
Purchase of property, plant and equipment	**(469)**	(994)
Interest received	**1,430**	2,081
Repayment from immediate holding company	**144**	522
Purchase of intangible assets	**–**	(549)
Repayment from a related company	**–**	30
NET CASH USED IN INVESTING ACTIVITIES	**(121,970)**	(147,553)
FINANCING ACTIVITIES		
Proceeds from issue of shares	**136,780**	373,036
Repayment of lease liabilities	**(7,543)**	–
Advance from fellow subsidiaries	**666**	2,950
Repayment to a fellow subsidiary	**(4,517)**	–
Transaction costs directly attributable to the issued new shares	**(2,119)**	(17,241)
Repayment to a related company	**(1,650)**	–
Interest paid	**(447)**	–
Advance from a related company	**–**	9,900
Repayment to immediate holding company	**–**	(4,856)
NET CASH FROM FINANCING ACTIVITIES	**121,170**	363,789
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**124,280**	(68,999)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**269,007**	338,006
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**393,287**	269,007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

CSMall Group Limited (the "**Company**") was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 19 January 2017. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**the Stock Exchange**") (the "**Listing**") since 13 March 2018.

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

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

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

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

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

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

IFRS 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 IFRSs 2015-2017 Cycle

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

IFRS 16 "Leases" ("IFRS 16")

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

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 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.

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. 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. 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; and

ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

IFRS 16 "Leases" ("IFRS 16") (continued)

As a lessee (continued)

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 (Note 29)	11,644
Lease liabilities discounted at relevant incremental borrowing rates	11,184
Less: recognition exemption – short-term leases	(821)
Lease liabilities as at 1 January 2019	10,363

	RMB'000
Analysed as	
Current	6,246
Non-current	4,117
	10,363

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

	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	10,363
By class:	
Office premises, showrooms, warehouses and retail shops	10,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

IFRS 16 "Leases" ("IFRS 16") (continued)

As a lessee (continued)

Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied under deposits and prepayments. 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 deposits as at 1 January 2019 is insignificant and has no material impact to the Group's financial position and performance.

The following adjustments were made to the amounts recognised in the 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 RMB'000	Adjustments RMB'000	Carrying amounts under IFRS 16 at 1 January 2019 RMB'000
Non-current Assets			
Right-of-use assets	–	10,363	10,363
Current Liabilities			
Lease liabilities – current portion	–	6,246	6,246
Non-current Liability			
Lease liabilities – non-current portion	–	4,117	4,117

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in IFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

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

Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

Amendments to IAS 1 and IAS 8 "Definition of Material" (continued)

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accorandance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

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

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

Basis of consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Principal versus agent

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

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

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

Lease

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 2)

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 or arising from business combinations 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, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of 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 expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset 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.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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 are 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

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.

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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 or there is a change in the assessment of exercise of a purchase option, 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.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

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

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

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

Intangible assets

Intangible assets acquired separately

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

Retirement benefit costs

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Shares granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. For shares that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss.

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied to the same taxable entity by the same taxation authority.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets

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

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporates assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets (continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, refundable rental deposits (included in deposits and prepayments), amount due from immediate holding company, amount due from a fellow subsidiary and bank balances) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets that are credit-impaired or with significant outstanding balance is assessed individually. The ECL on the remaining balances is assessed collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Allowance for inventories

Inventories are valued at the lower of cost and net realisable value. The management regularly reviews its inventory levels and ageing analysis in order to identify potential valuation problem of inventories. The management estimates the net realisable value of those inventories based primarily on the current market conditions and subsequent selling price. The Group makes allowance for inventory when the Group identifies items of inventories which have a net realisable value that is lower than its carrying amount. As at 31 December 2019, the carrying amount of inventories is RMB451,074,000 (2018: RMB388,580,000), without any allowance recognised on inventories.

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the trade receivables and the Group's ECL are disclosed in Notes 21 and 33, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2019 RMB'000	2018 RMB'000
By products		
Sales of gold products, except for first-hand gold bars	**639,477**	1,322,595
Sales of silver products	**490,832**	695,095
Sales of gem-set and other jewellery products	**115,631**	196,151
Sales of first-hand gold bars	**3,048**	255,778
Sales of diamonds	**–**	28,230
Total	**1,248,988**	2,497,849
By geographical markets		
The PRC	**1,248,988**	2,469,619
Hong Kong	**–**	28,230
Total	**1,248,988**	2,497,849
By sales channels		
Online sales channels		
Self-operated online platform (note i)	**460,896**	1,157,075
Third-party online sales channels	**325,273**	541,975
	786,169	1,699,050
Offline sales and service network		
CSmall Shops (note ii)	**269,000**	660,560
Shenzhen Exhibition Hall (note iii)	**175,609**	47,072
Third-party offline points of sale	**2,145**	8,154
	446,754	715,786
CSmall Gift Initiatives (note iv)	**16,065**	83,013
Total	**1,248,988**	2,497,849

Notes:

(i) Through the Group's self-operated online platform, sales orders are received from customers online and delivery is initiated and arranged by the platform.

(ii) It represents physical shops selling jewellery products, including self-operated CSmall Shops and franchised CSmall Shops.

(iii) It represents jewellery products exhibition hall located in Shuibei, Shenzhen.

(iv) The amount represents revenue from products redeemed from the CSmall gift credits sold through self-operated online platform.

All of the revenue are recognised at a point in time during the years ended 31 December 2019 and 2018.

5. REVENUE (continued)

(ii) Performance obligations for contracts with customers

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

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

For sales to the wholesale market, revenue is recognised when control of the goods is transferred, being the time when products are delivered to the wholesaler's specific location. Upon delivery, the wholesalers have full discretion over the manner of distribution and pricing to sell the goods, and they also bear the risks of obsolescence and loss in relation to the goods. The credit term granted to the wholesalers is 30 to 90 days from invoice date, and deposits received in advance are recognised as contract liabilities.

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

Sales of first-hand gold bars

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

Sales of diamonds

The Group sells diamonds to customers through offline sales and service network. Revenue is recognised when control of the goods is transferred to the customer. The ownership of diamonds will be transferred to customers once they have verified the quality at time of pick up. The normal credit terms granted is 60 days upon pick up by the customers and there is no rights to exchange or return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. REVENUE (continued)

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

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

6. SEGMENT INFORMATION

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

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

Geographical information

The Group's operations are located in the PRC (2018: PRC and Hong Kong) for the year ended 31 December 2019. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2019 **RMB'000**	2018 RMB'000	**2019** **RMB'000**	2018 RMB'000
The PRC	**1,248,988**	2,469,619	**276,846**	155,493
Hong Kong	**–**	28,230	**2,233**	–
	1,248,988	2,497,849	**279,079**	155,493

Note: Non-current assets excluded deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (continued)

Information about major customers

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

	2019 RMB'000	2018 RMB'000
Customer A[1]	–	255,778
Customer B[2]	N/A[3]	273,033

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

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

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

7a. OTHER INCOME, GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Government grants (Note)	9,290	1,000
Bank interest income	1,430	2,081
Net exchange (loss) gain	(1,389)	16,531
Others	(34)	–
	9,297	19,612

Note: For the year ended 31 December 2019, government grants were received from the local government of the PRC as incentives for brand promotion, foreign capital injection and industrial transformation (2018: industrial transformation) by the Group. There are no unfulfilled conditions attached to the grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

7b. OTHER EXPENSES

	2019 RMB'000	2018 RMB'000
Donation (Note)	–	10,000
Others	15	95
	15	10,095

Note: In November 2018, the Group, through its wholly owned subsidiary, injected an amount of RMB10,000,000 as registered capital for the establishment of a company which operates a museum in the PRC, namely 景寧畲族自治縣畲銀博物館 (the "**Museum**"). The Museum is set up for the exhibition of traditional silvery products and culture promotion to the public. According to the articles of association of the Museum, the Group acts as the operator of the Museum and does not have the entitlement of the sharing of any profit. The directors of the Company, after taking into consideration of legal advice, considered that the Group does not exercise control nor have significant influence over the Museum, and the obligations of the Group to the Museum is limited to the amount being injected, i.e. RMB10,000,000. Therefore, the amount was recognised as donation in full and included as other expenses in the year ended 31 December 2018.

8. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on lease liabilities	447	–

9. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019 RMB'000	2018 RMB'000
Impairment loss recognised in respect of trade receivables, net of reversal	7,432	2,006

Details of impairment assessment are set out in Note 33.

10. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
PRC Enterprise Income Tax ("**EIT**")		
– current year	**37,613**	55,100
– underprovision in respect of prior years	**568**	4
	38,181	55,104
Deferred taxation – current year (Note 18)	**(2,918)**	(1,140)
	35,263	53,964

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

Under the Law of the PRC on EIT (the "**EIT Law**") and its related implementation regulations, the Group's PRC subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both years except for 深圳雲鵬軟件開發有限公司, which was recognised as a Software Enterprise by the PRC tax authorities and it is 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. For the years ended 31 December 2018 and 2019, 深圳雲鵬軟件開發有限公司 was subjected to PRC EIT at a rate of 12.5%

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

	2019 RMB'000	2018 RMB'000
Profit before tax	**30,180**	196,641
Tax at the domestic income tax rate of 25% (2018: 25%)	**7,545**	49,160
Tax effect of expenses not deductible for tax purpose	**26,006**	7,630
Tax effect of income not taxable for tax purpose	**(421)**	(4,615)
Tax effect of temporary differences not recognised	**1,858**	–
Tax effect of concessionary tax rate granted	**(1,411)**	(946)
Tax effect of tax losses not recognised	**1,118**	2,748
Utilisation of tax losses previously not recognised	**–**	(17)
Underprovision in respect of prior years	**568**	4
Income tax expense for the year	**35,263**	53,964

Details of deferred tax recognised are set out in Note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. (LOSS) PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000
(Loss) profit for the year has been arrived at after charging:		
Directors' emoluments (Note 13)	3,905	3,010
Other staff costs:		
– salaries and other allowances	33,075	38,211
– retirement benefits scheme contributions	3,925	4,169
– share-based payments (Note 28 (i))	83,008	–
Total staff costs	123,913	45,390
Auditor's remuneration	2,047	1,523
Amortisation of intangible assets	2,182	2,437
Depreciation of property, plant and equipment	4,228	3,638
Depreciation of right-of-use assets	7,601	–
Cost of inventories recognised as expenses	1,029,314	2,182,667
Expenses on short-term leases in respect of retail shops	2,863	–
Operating lease rentals in respect of office premises, showrooms, warehouse and retail shops	–	9,909

12. DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Directors' and Chief Executive's emoluments

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

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2019				
Executive directors				
Mr. Chen He	–	1,394	12	1,406
Mr. Zhang Jinpeng	–	1,242	70	1,312
Mr. Qian Pengcheng	–	647	12	659
	–	3,283	94	3,377
Independent non-executive directors				
Mr. Fu Lui	176	–	–	176
Mr. Hu Qilin	176	–	–	176
Mr. Zhang Zuhui	176	–	–	176
	528	–	–	528
Total	528	3,283	94	3,905

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Directors' and Chief Executive's emoluments (continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Five highest paid employees

No directors of the Company were included in the Group's five highest paid individuals for the year ended 31 December 2019 (2018: Three). The emoluments of the five (2018: two) individuals are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other allowances	853	3,118
Retirement benefits scheme contributions	158	13
Share-based payments	31,219	–
	32,230	3,131

Their emoluments were within the following bands:

	2019 Number of employees	2018 Number of employees
Not exceeding HK$1,000,000	–	1
HK$2,500,001 – HK$3,000,000	–	1
HK$4,000,001 – HK$4,500,000	1	–
HK$7,500,001 – HK$8,000,000	4	–

Certain non-director and non-chief executive highest paid employees were granted share-based payments, in respect of their past services to the Group under the New Employee Share Scheme of the Company. Details of the New Employee Share Scheme are set out in Note 28 (i).

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of the directors of the Company and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. (LOSS) EARNINGS PER SHARE

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

	2019	2018
(Loss) profit for the year for the purpose of basic (loss) earnings per share (RMB'000)	**(5,083)**	142,677
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share (in thousand)	**1,116,195**	1,010,550

No diluted loss per share is presented for the year ended 31 December 2019 as there were no potential ordinary shares outstanding.

For the year ended 31 December 2018, the diluted earnings per share equals to the basic earnings per share as the computation of diluted earnings per share does not assume the exercise of the Company's over-allotment options as referred to the Listing because the exercise price of those options was higher than the average market price for shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST					
At 1 January 2018	–	9,150	4,529	2,972	16,651
Additions	2,198	5,573	143	–	7,914
At 31 December 2018	2,198	14,723	4,672	2,972	24,565
Additions	**90**	**–**	**379**	**–**	**469**
At 31 December 2019	**2,288**	**14,723**	**5,051**	**2,972**	**25,034**
DEPRECIATION					
At 1 January 2018	–	3,226	2,209	505	5,940
Provided for the year	139	2,006	878	615	3,638
At 31 December 2018	139	5,232	3,087	1,120	9,578
Provided for the year	**209**	**2,640**	**792**	**587**	**4,228**
At 31 December 2019	**348**	**7,872**	**3,879**	**1,707**	**13,806**
CARRYING VALUES					
At 31 December 2019	**1,940**	**6,851**	**1,172**	**1,265**	**11,228**
At 31 December 2018	2,059	9,491	1,585	1,852	14,987

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

16. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
As at 1 January 2019	
Carrying amount	10,363
As at 31 December 2019	
Carrying amount	**8,775**
For the year ended 31 December 2019	
Depreciation charge	**7,601**
Expenses relating to short-term leases	**2,863**
Total cash outflow for leases	**10,853**
Additions to right-of-use assets	**6,013**

The Group leases office premises, showrooms, warehouse and retail shops for its operations. Majority of lease contracts are entered into for lease terms of two to eight years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease terms and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for retail shops. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 11 and above.

In addition, lease liabilities of RMB8,833,000 are recognised with related right-of-use assets of RMB8,775,000 as at 31 December 2019. The lease agreements do not impose any covenants other then security interests in the leased assets that are held by the lesser. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. INTANGIBLE ASSETS

	System software RMB'000
COST	
At 1 January 2018	8,246
Additions	549
At 31 December 2018 and 2019	**8,795**
AMORTISATION	
At 1 January 2018	3,895
Provided for the year	2,437
At 31 December 2018	6,332
Provided for the year	**2,182**
At 31 December 2019	**8,514**
CARRYING VALUES	
At 31 December 2019	**281**
At 31 December 2018	2,463

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

18. DEFERRED TAXATION

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

	Unrealised profit RMB'000
At 1 January 2018	–
Credited to profit or loss	1,140
At 31 December 2018	1,140
Credited to profit or loss	**2,918**
At 31 December 2019	**4,058**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. DEFERRED TAXATION (continued)

As at 31 December 2019, the Group had unused tax losses of RMB20,431,000 (2018: RMB15,959,000). that are available to offset against future profits and will expire in various dates in the next five years (2018: five years). No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends payable to non-PRC shareholders which is declared in respect of profits earned by the PRC subsidiaries. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB409,117,000 as at 31 December 2019 (2018: RMB298,576,000) 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.

19. DEPOSITS PAID ON ACQUISITION OF NON-CURRENT ASSETS

	2019 RMB'000	2018 RMB'000
Deposits paid on acquisition of a land use right (Note i)	248,938	138,043
Deposits paid on acquisition of intangible assets (Note ii)	8,094	–
Deposits paid on acquisition of property, plant and equipment (Note iii)	1,763	–
	258,795	138,043

Notes:

(i) During the year ended 31 December 2019, the Group paid an additional deposit of RMB100,000,000 (2018: RMB132,500,000) and other direct costs of RMB10,895,000 (2018: RMB5,543,000) 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 31 December 2019, the unsettled amount was disclosed as capital commitment in Note 30.

(ii) The amount represents deposits paid by the Group in relation with the acquisition of certain software for the online platform enhancement under New Jewellery Retail segment. The unsettled amount was disclosed as capital commitment in Note 30.

(iii) The amount represents deposits paid by the Group in relation with the acquisition of plant and machinery. The unsettled amount was disclosed as capital commitment in Note 30.

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20. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**23,234**	–
Finished goods	**427,840**	388,580
	451,074	388,580

The Group has pledged inventories with a carrying value of approximately RMB30 million at 31 December 2019 (2018: Nil) to secure trade loans of the Group as detailed in Note 37.

21 TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables for contracts with customers (Note i)	**350,607**	218,894
Less: allowance for credit loss	**(9,438)**	(2,006)
	341,169	216,888
Deposits and prepayments	**16,733**	44,476
Prepayments to suppliers (Note ii)	**74,957**	412,081
Value-added tax recoverable	**22,983**	28,970
	455,842	702,415

Notes

(i) The Group has pledged trade receivables with a carrying value of approximately RMB75 million at 31 December 2019 (2018: Nil) to secure trade loans of the Group as per Note 37.

(ii) Included in the balance is prepayments paid to a fellow subsidiary with a carrying amount of RMB74,957,000 (2018: RMB362,081,000).

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB37,807,000.

21. TRADE AND OTHER RECEIVABLES (continued)

The Group does not grant any credit period to its retail customers and generally grants its corporate customers a credit period ranging from 0 to 90 days and requires advance deposits for 30% to 100% of the contract value from its customers before delivery of goods.

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

	2019	2018
	RMB'000	RMB'000
0 – 30 days	**169,388**	164,017
31 – 60 days	**43,469**	12,552
61 – 90 days	**2,507**	13,713
Over 90 days	**125,805**	26,606
	341,169	216,888

As at 31 December 2019, included in the Group's trade receivables, net of allowance of credit loss were debtors with aggregate carrying amount of RMB216,182,000 (2018: RMB53,813,000) which were past due as at the reporting date. Out of the past due balances, RMB94,473,000 (2018: RMB13,089,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customer. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 33.

22. AMOUNT(S) DUE FROM (TO) IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/RELATED COMPANIES

As at 31 December 2019 and 2018, the amount due from immediate holding company and amount due to fellow subsidiaries were non-trade in nature, unsecured, interest-free and repayable on demand.

The amount due from a fellow subsidiary of RMB898,000 as at 31 December 2018 which was trade in nature, had a credit period of 30 days and was settled during the year. The amount as at 31 December 2019 is non-trade in nature, unsecured, interest-free and repayable on demand.

During the year ended 31 December 2018, part of the amount due to immediate holding company as at 31 December 2017 was settled by allotting and issuing 27,070,010 new shares to China Silver Group upon the Listing and the remaining outstanding amount was capitalised as contribution reserve (Note 28 (iii)).

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For the year ended 31 December 2019

22. AMOUNT(S) DUE FROM (TO) IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/RELATED COMPANIES (continued)

Amounts due to related companies represent (i) an amount of RMB8,250,000 (2018: RMB9,900,000) due to the Museum, of which Mr. Chen He, being an executive director of the Company is one of the operating committee members, and (ii) an amount of RMB760,000 (2018: RMB760,000) due to 江西金貓銀貓支付有限公司 ("**Jiangxi CSMall Payment**") which is a wholly owned subsidiary of Shenzhen Yinruiji Cultural Development Company Limited, a company controlled by Mr. Qian Pengcheng, being an executive director of the Company. The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

23. BANK BALANCES AND CASH

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

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

	2019	2018
	RMB'000	RMB'000
Hong Kong dollar	**529**	636
United States dollar	**3**	626
	532	1,262

As at 31 December 2019, the bank balances and cash of the Group denominated in RMB amounted to RMB392,755,000 (2018: RMB267,745,000). The conversion of RMB denominated bank balances and cash into foreign currencies and the remittance of such foreign currencies denominated balances out of the PRC are subject to the relevant rules and regulations of foreign exchange control by the government authorities concerned.

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For the year ended 31 December 2019

24. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	64,083	241,159
Accrued listing expenses	–	1,281
Other payables and accrued expenses	29,096	17,299
Customer receipts in advance	5,969	2,517
Value-added tax and other tax payables	2,623	1,404
	101,771	263,660

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

	2019 RMB'000	2018 RMB'000
0 – 30 days	34,450	119,761
31 – 60 days	–	71,387
61 – 90 days	–	49,684
Over 90 days	29,633	327
	64,083	241,159

The credit period of purchase of goods and subcontracting costs generally ranges from 1 to 90 days.

25. TRADE LOANS

	2019 RMB'000	2018 RMB'000
Trade loans	19,428	–

On 11 December 2019, 深圳國銀通寶有限公司 ("**Shenzhen Guoyintongbao**"), a subsidiary of the Group, entered into a reverse factoring agreement with a bank in the PRC, pursuant to which the bank agreed to grant revolving trade loan credit limit of not more than RMB20 million to Shenzhen Guoyintongbao in respect of the Group's payment obligations under the contracts to certain suppliers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

25. TRADE LOANS (continued)

The trade loans as at 31 December 2019 carry interest at a fixed rate of 5.66% per annum, which is also the effective interest rate during the year ended 31 December 2019. The amounts would due for repayment within one year.

Details of the Group's assets pledged to secure the above trade loans are set out in Note 37.

26. LEASE LIABILITIES

	2019 RMB'000
Lease liabilities payable:	
Within one year	5,340
Within a period of more than one year but not more than two years	1,963
Within a period of more than two years but not more than five years	1,497
Within a period of more than five years	33
	8,833
Less: Amount due for settlement within 12 months shown under current liabilities	(5,340)
Amount due for settlement after 12 months shown under non-current liability	3,493

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2019 RMB'000
Hong Kong dollar	2,246

27. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Amount received in advance of sales of goods	10,080	13,305

As at 1 January 2018, contract liabilities amounted to RMB2,249,000.

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For the year ended 31 December 2019

27. CONTRACT LIABILITIES (continued)

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

	Amounts received in advance of sales of goods	
	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**13,305**	2,249

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

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

28. SHARE CAPITAL

	Number of shares	Share capital	
		US$	RMB'000
Ordinary share of US$0.0001 each:			
Authorised			
At 1 January 2018, 31 December 2018 and 31 December 2019	**3,000,000,000**	**300,000**	**2,062**
Issued			
1 January 2018	832,334,000	83,233	572
Issue of new shares (Note iii)	221,254,000	22,125	139
At 31 December 2018	1,053,588,000	105,358	711
Issue of new shares (Note i)	**84,287,040**	**8,429**	**60**
Issue of new shares (Note ii)	**100,000,000**	**10,000**	**71**
At 31 December 2019	**1,237,875,040**	**123,787**	**842**

28. SHARE CAPITAL (continued)

Notes:

(i) Pursuant to an employee subscription agreement and employee trust deed dated 6 May 2019, Ascend Delight Holdings Limited, a wholly owned entity of Ms. Xue, the guarantor under the employee subscription agreement and the trustee under the employee trust deed subscribed for 84,287,040 new ordinary shares of US$0.0001 each in the Company at a price of HK$0.85 per ordinary share ("**New Employee Share Scheme**") for the purpose of providing rewards to all employees or senior management for their past services. These new shares were issued on 30 August 2019 under the specific mandate granted to the directors at the extraordinary general meeting of the Company held on 16 August 2019 and rank pari passu with other shares in issue in all respects and fully vested on the same date. There were no vesting conditions attached to such issue. The Company funded the New Employee Share Scheme and the subscription is recorded by the Company as share-based payments determined based on the market price of the shares.

(ii) Pursuant to a strategic investor subscription agreement dated 6 May 2019, a strategic investor, Mr. Yao Runxiong subscribed for 100,000,000 new ordinary shares of US$0.0001 each in the Company at a price of HK$1.5 (equivalent to RMB1.37) per ordinary share. These new shares were issued under the specific mandate granted to the directors at the extraordinary general meeting of the Company held on 16 August 2019 and rank pari passu with other shares in issue in all respects.

(iii) On 13 March 2018, the Company issued a total of 194,183,990 ordinary shares of US$0.0001 each at HK$2.38 each for cash by way of public offer ("**Public Offer**"). Based on the offer price of HK$2.38 per share, the gross proceeds received by the Company was RMB373,036,000.

Pursuant to the resolutions of the shareholders passed on 13 February 2018 and 21 February 2018, 27,070,010 new shares were allotted and issued to China Silver Group on 13 March 2018 to settle the amount due to immediate holding company of RMB52,002,000 on 31 December 2017. The remaining outstanding amount due to immediate holding company of RMB323,370,000 was capitalised as contribution reserve on 13 March 2018 ("**Loan capitalisation issue**"). All of these new shares were distributed to the qualifying shareholders of China Silver Group in proportion to their shareholding as of 26 February 2018, except for fractional entitlements of such qualifying shareholders (totaling 33 shares) which have been retained by China Silver Group.

29. OPERATING LEASES

Minimum lease payments paid to third parties under operating lease during the year ended 31 December 2018 in respect of the Group's rented office premises, showrooms, warehouses and retail shops was RMB9,909,000.

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

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

During the year ended 31 December 2018, leases are negotiated for terms of one to seven years and rentals are fixed during the lease period.

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For the year ended 31 December 2019

30. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– Land use right	**95,467**	182,932
– Plant and equipment	**1,100**	–
– Intangible assets	**12,140**	–
	108,707	182,932

31. RETIREMENT BENEFIT PLANS

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

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

The total expenses recognised in profit or loss of RMB4,019,000 (2018: RMB4,208,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

32. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes amounts due to fellow subsidiaries, amounts due to related companies, trade loans and lease liabilities as disclosed in Notes 22, 25 and 26, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and various reserves.

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

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost	**752,577**	498,913
Financial liabilities		
Amortised cost	**112,489**	276,622

(b) Financial risk management objectives and policies

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

Market risk

Currency risk

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

	Assets		Liabilities	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Hong Kong Dollar	**1,289**	677	**12,652**	7,908
United States Dollar	**4,527**	12,558	**97**	95
	5,816	13,235	**12,749**	8,003

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

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For the year ended 31 December 2019

33. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in the relevant foreign currencies against RMB. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. A negative (positive) number below indicates a decrease (increase) in post-tax profit where the relevant foreign currency strengthens 5% (2018: 5%) against RMB. For a 5% (2018: 5%) weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the post-tax profit.

	HK$		US$	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Post-tax profit	**(426)**	(271)	**166**	467

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 23 for details) and fair value interest rate risk in relation to lease liabilities (see Note 26 for details) and fixed-rate trade loans (see Note 25 for details).

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

Sensitivity analysis

No sensitivity analysis is presented since the directors of the Company consider the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

33. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment

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

Trade receivables

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

Refundable rental deposits

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

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

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

33. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Bank balances

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

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

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

	2019 **RMB'000**	2018 RMB'000
Amount due from the largest debtor as a percentage to total trade receivables	**17%**	15%
Total amount due from the five largest debtors as a percentage to total trade receivables	**63%**	55%

33. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

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

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

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33. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

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

31 December 2019	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
					RMB'000	RMB'000
Financial assets at amortised cost						
Trade receivables	21	N/A	Note (i)	Lifetime ECL (provision matrix)	107,765	
	21	N/A	Note (i)	Lifetime ECL (individual assessment)	241,175	
	21	N/A	Loss	Credit-impaired	1,667	350,607
Refundable deposits (included in deposits and prepayments)	21	N/A	Note (ii)	12m ECL		5,080
Amount due from immediate holding company	22	N/A	Note (ii)	12m ECL		12,779
Amount due from a fellow subsidiary	22	N/A	Note (ii)	12m ECL		262
Bank balances	23	P-1	Note (iii)	12m ECL		393,096

33. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

31 December 2018	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
					RMB'000	RMB'000
Financial assets at amortised cost						
Trade receivables	21	N/A	Note (i)	Lifetime ECL (provision matrix)	98,299	
	21	N/A	Note (i)	Lifetime ECL (individual assessment)	118,589	
	21	N/A	Loss	Credit-impaired	2,006	218,894
Refundable rental deposits (included in deposits and prepayments)	21	N/A	Note (ii)	12m ECL		1,520
Amount due from immediate holding company	22	N/A	Note (ii)	12m ECL		10,600
Amount due from a fellow subsidiary	22	N/A	Note (ii)	12m ECL		898
Bank balances	23	P-1	Note (iii)	12m ECL		268,668

Notes:

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

33. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Notes: (continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its debtors except for those that with significant outstanding balances or credit-impaired. The following table provides information about the exposure to credit risk for trade receivables as at 31 December 2019 which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount

	2019 Average loss rate	Trade receivables RMB'000
Current (not past due)	0.22%	99,234
1-30 days past due	0.63%	5,639
31-60 days past due	1.47%	544
61-90 days past due	2.50%	242
More than 90 days past due	13.46%	2,106
		107,765

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Debtors with significant outstanding balances and credit-impaired with gross carrying amounts of RMB241,175,000 and RMB1,667,000 respectively as at 31 December 2019 (2018: RMB118,589,000 and RMB2,006,000) were assessed individually. During the year ended 31 December 2018, no impairment allowance on trade receivables was provided based on the ECL assessment other than credit-impaired debtors as the amount was considered insignificant. Impairment allowance of RMB2,006,000 was made on credit-impaired debtors as at 31 December 2018.

33. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Notes: (continued)

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

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2018	–	–	–
New financial assets originated			
– Impairment losses recognised	–	2,006	2,006
As at 31 December 2018	–	2,006	2,006
Changes due to financial instruments recognised as at 1 January 2019:			
– Impairment losses reversed	–	(1,203)	(1,203)
– Impairment losses recognised	1,724	864	2,588
New financial assets originated			
– Impairment losses recognised	6,047	–	6,047
As at 31 December 2019	7,771	1,667	9,438

During the year ended 31 December 2019, impairment allowance of RMB551,000 and RMB7,220,000 (2018: Nil) on not credit-impaired trade receivables were provided based on the provision matrix and individual assessment, respectively. Impairment allowance reversed of RMB1,203,000 (2018: impairment allowance recognised of RMB2,006,000) was made on credit-impaired debtors due to receipt of full repayment of respective outstanding amount during the year.

In addition, changes in the loss allowance on credit-impaired trade receivables are mainly due to certain trade debtors with a gross carrying amount of RMB864,000 (2018: RMB2,006,000) which the management of the Group considers the debtors are in financial difficulties and not probable to repay the trade receivables in foreseeable future. Respective amount of impairment allowance on credit-impaired trade receivables is recognise during the years ended 31 December 2019 and 2018.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31/12/2019 RMB'000
2019								
Trade payables	–	64,083	–	–	–	–	64,083	64,083
Trade loans	5.66	10,000	–	10,000	–	–	20,000	19,428
Other payables	–	17,334	–	–	–	–	17,334	17,334
Leases liabilities	4.75	–	2,139	3,437	3,679	35	9,290	8,833
Amount due to related companies	–	9,010	–	–	–	–	9,010	9,010
Amount due to fellow subsidiaries	–	2,634	–	–	–	–	2,634	2,634
		103,061	2,139	13,437	3,679	35	122,351	121,322

	Weighted average interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31/12/2018 RMB'000
2018								
Trade payables	–	241,159	–	–	–	–	241,159	241,159
Other payables	–	18,580	–	–	–	–	18,580	18,580
Amount due to related companies	–	10,660	–	–	–	–	10,660	10,660
Amount due to fellow subsidiaries	–	6,223	–	–	–	–	6,223	6,223
		276,622	–	–	–	–	276,622	276,622

33. FINANCIAL INSTRUMENTS (continued)

(c) 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 consolidated financial statements approximate their fair values.

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

34. MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions:

During the year ended 31 December 2019, the Group entered into new lease agreements for the use of warehouse and office premises for 1 to 5 years. On the lease commencement, the Group recognised RMB6,013,000 of right-of-use asset and RMB6,013,000 of lease liabilities.

During the year ended 31 December 2019, the Group entered into a reverse factoring agreement as disclosed in Note 25, trade payables amounting to RMB19,428,000 was settled by trade loans.

During the year ended 31 December 2018, as disclosed in Note 22, amount due to immediate holding company amounting to RMB52,002,000 was settled by way of new shares allotment by the group, and the remaining outstanding amount of RMB323,370,000 was capitalised as contribution reserve.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amount due to immediate holding company RMB'000	Amounts due to fellow subsidiaries RMB'000	Amounts due to related companies RMB'000	Trade loans RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2018	380,228	3,273	760	–	–	384,261
Financing cash flows	(4,856)	2,950	9,900	–	–	7,994
Non-cash changes						
Settled by newly issued shares (Notes 28 (iii) and 34)	(52,002)	–	–	–	–	(52,002)
Contribution from China Silver Group (Notes 28 (iii) and 34)	(323,370)	–	–	–	–	(323,370)
At 31 December 2018	–	6,223	10,660	–	–	16,883
Adjustment upon application of IFRS 16 (Note 2)	–	–	–	–	10,363	10,363
As at 1 January 2019 (restated)	–	6,223	10,660	–	10,363	27,246
Financing cash flows	–	(3,851)	(1,650)	–	(7,990)	(13,491)
Non-cash changes						
Interest expense on leases liabilities	–	–	–	–	447	447
New leases entered (Note 34)	–	–	–	–	6,013	6,013
Settlement of trade payables (Note 34)	–	–	–	19,428	–	19,428
Other	–	262	–	–	–	262
At 31 December 2019	–	2,634	9,010	19,428	8,833	39,905

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36. RELATED PARTY DISCLOSURES

(a) Other than as disclosed elsewhere in these consolidated financial statements, the Group has following significant transactions and balances with related parties:

Name of related parties	Relationship	Nature of transactions	2019 RMB'000	2018 RMB'000
上海華通鉑銀交易市場有限公司	A fellow subsidiary of the Group and a subsidiary of China Silver Group	Sale of jewellery products	**26**	182
江西龍天勇有色金屬有限公司	A fellow subsidiary of the Group and a subsidiary of China Silver Group	Purchase of silver ingots	**317,909**	403,551
		Interest expenses on lease liabilities	**62**	–
		Expenses relating to short-term leases	**75**	–
		Lease liabilities (Note i)	**2,415**	–
		Operating lease expenses (Note ii)	**–**	150
浙江富銀白銀有限公司	A fellow subsidiary of the Group and a subsidiary of China Silver Group	Purchase of silver ingots	**–**	3,898
上海找銀網絡科技有限公司	A fellow subsidiary of the Group and a subsidiary of China Silver Group	Sale of jewellery products	**44**	806

Notes:

(i) During the year ended 31 December 2019, the Group entered into a new lease agreement for the use of warehouse and office premises with the fellow subsidiary for 5 years, Except for leases in which the Group applied short-term lease recognition exemption, the Group has recognised an addition of right-of-use assets and lease liabilities of RMB2,652,000 and RMB2,652,000 respectively.

(ii) During the year ended 31 December 2018, the Group entered into a new lease agreement for the use of warehouse and office with the fellow subsidiary for 1 year.

(b) Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in Note 22.

(c) Compensation of key management personnel

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

	2019 RMB'000	2018 RMB'000
Salaries and other allowances	**3,586**	4,835
Retirement benefits schemes contributions	**115**	51
	3,701	4,886

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37. PLEDGE OF ASSETS

At the end of the reporting period, assets with the following carrying amounts were pledged to secure the trade loans of the Group.

	2019 RMB'000	2018 RMB'000
Inventories	30,000	–
Trade receivables	75,000	–
	105,000	–

In addition, as at 31 December 2019, the trade loans of the Group were secured by i) personal guarantees executed by Mr. Chen He (a director of the Company) and Mr. Chen Wantian (a director of China Silver Group) and their respective spouses; and ii) a corporate guarantee executed by China Silver Group (2018: no such guarantees).

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company 2019	Attributable equity interest held by the Company 2018	Principal activities	Form of company
Directly owned						
CSMall Group Limited BVI 金貓銀貓集團有限公司	The BVI	Ordinary Shares US$83,233	100%	100%	Investment holding	Limited liability
CSMall Holdings Limited BVI 金貓銀貓控股有限公司	The BVI	Ordinary shares US$50,000	100%	100%	Investment holding	Limited liability
Indirectly owned						
China Silver Jewellery Group Limited 中國白銀珠寶集團有限公司	Hong Kong	Ordinary shares HK$10,000	100%	100%	Investment holding	Limited liability
江西吉銀實業有限公司	The PRC	Registered capital US$99,800,000	100%	100%	Processing and wholesale of precious metal products	Wholly foreign owned
國融通寶(深圳)融資租賃有限公司	The PRC	Registered capital RMB200,000	100%	100%	Inactive	Limited liability
深圳國金通寶有限公司	The PRC	Registered capital RMB50,000,000^	100%	100%	Sales of jewellery products#	Limited liability

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company 2019	2018	Principal activities	Form of company
深圳國銀通寶有限公司 Shenzhen Gooyintongbao	The PRC	Registered capital RMB500,000,000	**100%**	100%	Offline sale of jewellery products and operation of self-owned stores	Wholly foreign owned
深圳雲鵬軟件開發有限公司	The PRC	Registered capital RMB5,000,000^	**100%**	100%	Software development	Limited liability
景寧畲银文化有限公司	The PRC	Registered capital RMB10,000,000^	**100%**	100%	Planning of cultural events, design and sale of jewellery products	Limited liability
白銀小鎮(上海)文化產業有限公司	The PRC	Registered capital RMB100,000,000^	**100%**	100%	Online sales of jewellery products	Limited liability
湖州白銀置業有限公司	The PRC	Registered capital RMB50,000,000^	**100%**	100%	Property development	Limited liability
浙江金貓銀貓珠寶首飾有限公司	The PRC	Registered capital RMB10,000,000^	**100%**	100%	Sales of jewellery products	Limited liability

not yet commence business

^ At 31 December 2019, capital injection to the entity had not been made

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

39. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2019, in response to the public health risks associated with the outbreak of COVID-19, the Group postponed its operation after Chinese New Year until February 2020 after considering both the health and safety of employees as well as the local policies in Jiangxi and Shenzhen where the Group has operations. The management of the Group will pay particular attention to the development of COVID-19 and perform further assessment of the financial impact on the Group due to COVID-19.

Given the dynamic nature of these circumstances and unpredictability of future development, the directors of the Company consider that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date these consolidated financial statements are authorised for issue.

The outbreak of COVID-19 is a non-adjusting event after the financial year end and does not result in any material adjustments to the consolidated financial statements for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary		**983,534**	983,534
Right-of-use assets	(ii)	**2,234**	–
Amount due from a subsidiary		**127,564**	–
		1,113,332	983,534
CURRENT ASSETS			
Other receivables		**403**	–
Amount due from immediate holding company		**198**	–
Amount due from a fellow subsidiary		**262**	–
Amount due from a subsidiary		**–**	4,325
Bank balance and cash		**514**	1,243
		1,377	5,568
CURRENT LIABILITIES			
Other payables and accruals		**9,374**	6,084
Lease liabilities – current portion		**1,485**	–
Amount due to immediate holding company		**–**	–
Amount due to a fellow subsidiary		**–**	110
Amount due to a subsidiary		**6,421**	–
		17,280	6,194
NET CURRENT LIABILITIES		**(15,903)**	(626)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,097,429**	982,908
CAPITAL AND RESERVES			
Share capital	28	**842**	711
Reserves	(i)	**1,095,826**	982,197
TOTAL EQUITY		**1,096,668**	982,908
NON-CURRENT LIABILTY			
Lease liabilities – non-current portion	(ii)	**761**	–
TOTAL EQUITY AND NON-CURRENT LIABILITY		**1,097,429**	982,908

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

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

	Share premium RMB'000	Contribution reserve RMB'000	(Accumulated losses) retained profits RMB'000	Total reserves RMB'000
At 1 January 2018	232,962	–	(21,100)	211,862
Issue of shares	424,899	–	–	424,899
Transaction costs directly attributable to the issue of new shares	(17,241)	–	–	(17,241)
Contribution from China Silver Group (Note 28 (iii))	–	323,370	–	323,370
Profit and total comprehensive income for the year	–	–	39,307	39,307
At 31 December 2018	640,620	323,370	18,207	982,197
Issue of shares to participants of New Employees Share Scheme (Note 28 (i))	**82,948**	**–**	**–**	**82,948**
Issue of shares to a strategic investor (Note 28 (ii))	**136,709**	**–**	**–**	**136,709**
Transaction costs directly attributable to the issue of new shares	**(2,119)**	**–**	**–**	**(2,119)**
Loss and total comprehensive expense for the year	**–**	**–**	**(103,909)**	**(103,909)**
At 31 December 2019	**858,158**	**323,370**	**(85,702)**	**1,095,826**

(ii) The Company has applied IFRS 16 since 1 January 2019 in accordance with transitional provision stated in Note 2. All leases were entered in 2019 and the application of IFRS 16 has no impact on the Company's financial positions and retained profits as at 1 January 2019.

FIVE YEARS' FINANCIAL SUMMARY

RESULTS

	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Revenue	835,345	2,465,291	3,519,581	2,497,849	**1,248,988**
Profit before tax	41,851	64,676	139,498	196,641	**30,180**
Income tax expense	(8,897)	(14,412)	(38,557)	(53,964)	**(35,263)**
Profit (loss) for the year	32,954	50,264	100,941	142,677	**(5,083)**
Attributable to					
– Owners of the Company	32,956	50,264	101,305	142,677	**(5,083)**
– Non-controlling interests	(2)	–	(364)	–	**–**
	32,954	50,264	100,941	142,677	**(5,083)**

ASSETS AND LIABILITIES

	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Total assets	596,080	641,540	905,285	1,528,133	**1,596,381**
Total liabilities	(468,945)	(420,186)	(559,094)	(308,098)	**(163,760)**
Total equity	127,135	221,354	346,191	1,220,035	**1,432,621**
Equity attributable to owners of the Company	78,537	172,756	346,191	1,220,035	**1,432,621**
Non-controlling interests	48,598	48,598	–	–	**–**
	127,135	221,354	346,191	1,220,035	**1,432,621**