中國白銀集團
CHINA SILVER GROUP

中國白銀集團有限公司
China Silver Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code：815

ANNUAL REPORT 2019

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

CONTENTS

CORPORATE INFORMATION

Executive directors

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

Independent non-executive directors

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

Audit committee

Zeng Yilong (Chairman)
Song Hongbing
Li Haitao

Remuneration committee

Li Haitao (Chairman)
Chen Wantian
Song Hongbing

Nomination committee

Chen Wantian (Chairman)
Song Hongbing
Li Haitao

Company secretary

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

Authorised representatives

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

Cayman Islands share registrar and transfer office

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

Hong Kong share registrar

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

Registered office

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters in the PRC

Rm 5A & 6 Floor
Baolin International Gold Trade Center
2nd Building, 3 Shuitian Second Street
Shuibei, Luohu District
Shenzhen, PRC

Principal place of business in Hong Kong

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

Company's website

www.chinasilver.hk

Place of listing and stock code

The Stock Exchange of Hong Kong Limited
815

Principal bankers

Bank of Ganzhou
Agricultural Bank of China

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Legal advisors

Hong Kong law:

Sullivan & Cromwell (Hong Kong) LLP

Cayman Islands law:

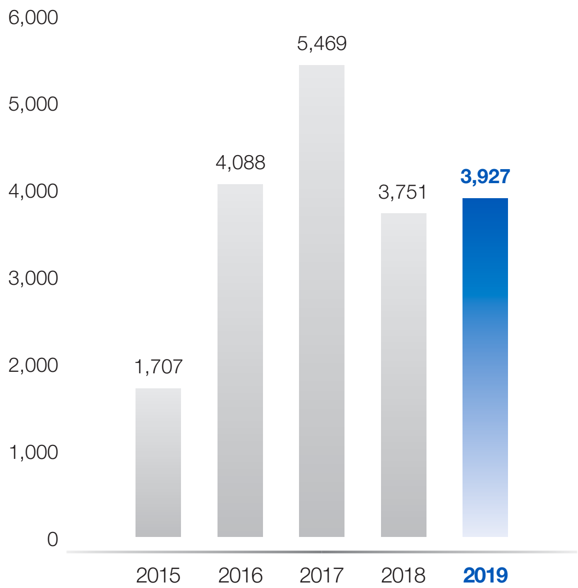
Conyers Dill & Pearman

Investors and media relations

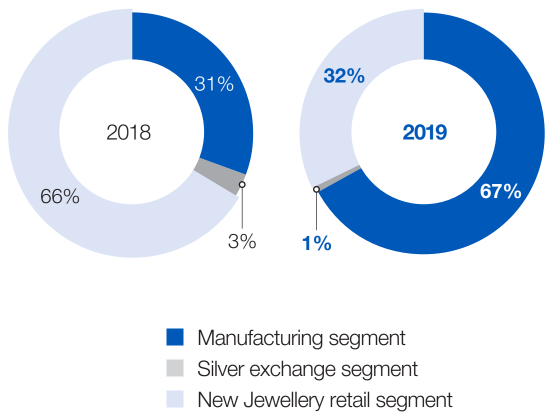
Hill and Knowlton Strategies

FINANCIAL HIGHLIGHTS

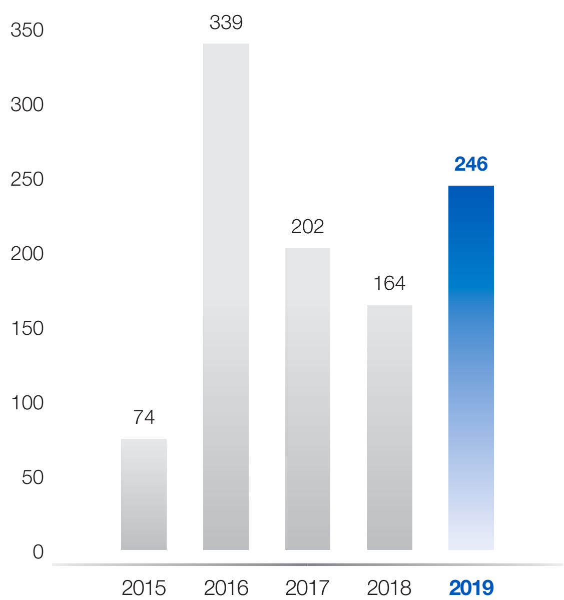
Revenue
(RMB million)



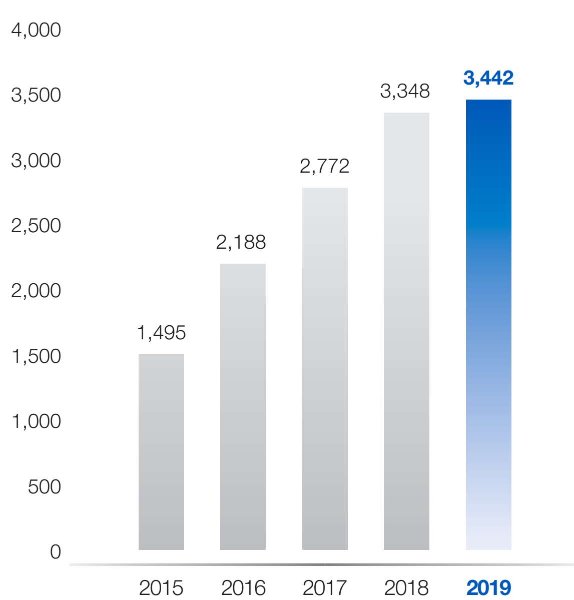
Segment Revenue
(%)



Segment Profit from Manufacturing segment (RMB million)



Net Assets
(RMB million)



OUR MILESTONES

Milestones

2019
- Fully transformed into a leading fully-integrated silver, gold, palladium and precious metals enterprise in the PRC

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

MAR 2017
- Acquired Silver Exchange Business

2014
- Developed New Jewellery Retail Business

2012
- IPO in Hong Kong

2002
- Silver Manufacturing

SELECTED BRANDS AND PRODUCTS

CHAIRMAN'S STATEMENT

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

BUSINESS REVIEW

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

For the year ended 31 December 2019, the Group's Manufacturing segment generated sales of approximately RMB2,629.7 million, a tremendous growth of approximately 128.7% over that of 2018, and its segment profit recorded approximately RMB245.9 million (2018: RMB163.7 million), a sharp rise of approximately 50.2% over 2018, mainly due to the increase in sales of such precious metals as silver and palladium as well as higher international trading prices of silver, gold, palladium and other precious metals in the second half of 2019.

During the current year, revenue from external sales of silver ingots and sales volume thereof increased by approximately 64.5% and 43.3% respectively as compared with those of the previous year; revenue from sales of gold and products with gold content (collectively, "**Gold Products**") went up by approximately 170.8% over last year; palladium also saw a breakthrough compared to the previous year and realised large-scale sales for the current year, accounting for approximately 55.8% of the revenue of the Manufacturing segment. The Group expects to see a dramatic increase in the sales of palladium, which will become one of its core precious metal products besides silver and Gold Products. Palladium is extracted from three major raw materials, including smelting slag（熔煉渣）, smoke dust（煙塵灰）and sludge from wet smelting（濕法泥）, purchased from both our new and existing suppliers. The price of the raw materials is determined based on the content of silver and palladium and their unit market price and the production process is carried out twice or three times a month. Our customers for palladium are mainly trading companies and their end customers are usually sizeable enterprises. During the year ended 31 December 2019, we recognised large-scale sales with the strong support from our suppliers, increasing market demand of palladium and our extensive experience and professional skills developed over the years.

During the current year, taking into account the volume of internal sales, the sales of silver ingots and palladium as a proportion of the revenue of the Manufacturing segment was over 70%, and is expected to increase continuously in 2020.

Meanwhile, the contribution of silver, Gold Products, palladium and other precious metals accounted for more than 97% of both the revenue and gross profit of the Manufacturing segment in the current year. While continuously optimising the product mix and increasing the proportion of the precious metals business, the Group seized the market opportunities arising from the global economic instability and the downturn of the Chinese economy.

Since 2014, we have diversified from the traditional Manufacturing segment to the downstream New Jewellery Retail segment which is now operated under our subsidiary, CSMall Group Limited (Stock code: 1815) ("**CSMall Group**"). Apart from leveraging our strength and resources in the upstream business, CSMall Group has optimized its sales and marketing strategies since 2018 and gradually shifted its focus to high-margin silver jewellery products. External sales of CSMall Group for the current year amounted to approximately RMB1,248.9 million, representing approximately 31.8% of our total revenue of the current year (2018: 66.6%). 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 for the year ended 31 December 2019 (see "MANAGEMENT DISCUSSION AND ANALYSIS – Significant investment held, material acquisition and disposal" for details), CSMall Group recorded a segment profit of approximately RMB32.0 million for the year ended 31 December 2019 (2018: RMB180.3 million). However, if such one-off and non-cash share-based payment expenses were excluded, segment profit would have decreased by approximately 36.2% from approximately RMB180.3 million for the year ended 31 December 2018 to approximately RMB115.0 million for the year ended 31 December 2019.

In 2016, the Group further expanded the downstream business by the acquisition of Shanghai Huatong Silver Exchange ("**Shanghai Huatong**"), an operator of an integrated silver exchange platform in the PRC. For the current year, because of the non-recurring impairment loss on all remaining goodwill of approximately RMB330.3 million, the Silver Exchange segment recorded a segment loss of approximately RMB303.2 million (2018: segment loss of RMB10.2 million). However, if such non-recurring impairment loss on goodwill for the two years were excluded, segment profit would have decreased by approximately 59.6% from approximately RMB66.9 million for the year ended 31 December 2018 to approximately RMB27.0 million for the year ended 31 December 2019. This was mainly attributable to lower transaction volume resulting from the impact of the domestic policy environment in relation to transaction platforms.

The overall gross profit margin of the Group decreased to approximately 13.5% for the year ended 31 December 2019 as compared with approximately 15.9% for the year ended 31 December 2018.

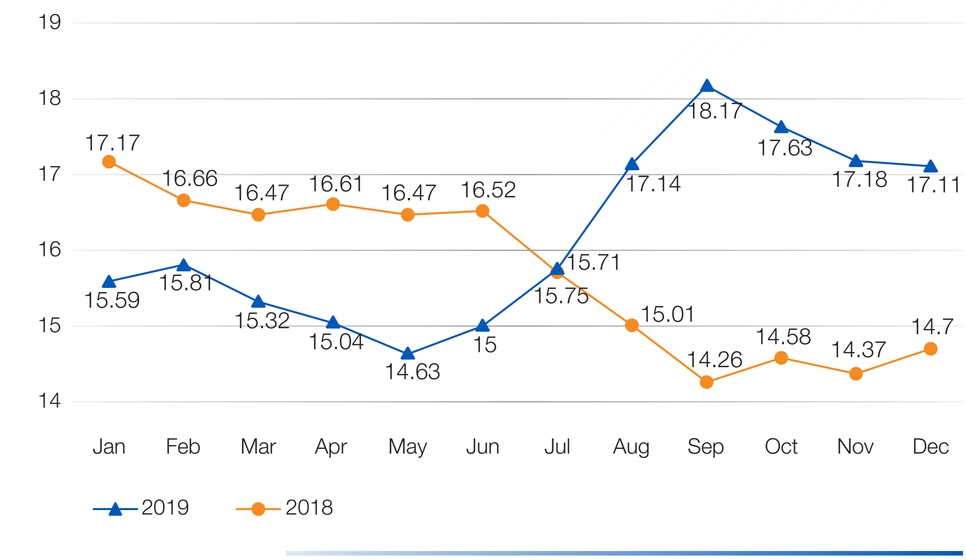
Because of the aforesaid one-off and non-cash share-based payment expenses for the New Jewellery Retail segment of approximately RMB83.0 million and non-recurring impairment loss on goodwill for the Silver Exchange segment of approximately RMB330.3 million for the year ended 31 December 2019, we saw a turnaround from a profit attributable to owners of the Company of approximately RMB149.0 million for the year ended 31 December 2018 to a loss attributable to owners of the Company of approximately RMB116.2 million for the year ended 31 December 2019. However, if such one-off and non-cash share-based payment expenses for 2019 and non-recurring impairment loss on goodwill for both years were excluded, profit attributable to owners of the Company would have increased significantly by approximately 12.1% from approximately RMB226.0 million for the year ended 31 December 2018 to approximately RMB253.5 million for the year ended 31 December 2019. This was mainly due to the strong performance and promising outlook of the Manufacturing segment for the current year, during which it achieved approximately RMB82.2 million or approximately 50.2% increase in segment profit as compared to that for the previous year.

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

Manufacturing segment

Sales of silver ingot increased from approximately RMB219.8 million to approximately RMB361.6 million for the year ended 31 December 2019, representing an increase of approximately 64.5% from that of 2018, which was mainly due to the increase in sales volume and price of silver. With the fluctuation of international silver price, the average selling price of silver ingot was approximately RMB3.8 million (2018: RMB3.1 million) (value-added tax exclusive) per tonne. Sales volume of silver ingot increased from approximately 67 tonnes to approximately 96 tonnes as the demand for silver went up. We have been working closely with the local authorities on compliance with regulatory requirements and have been devising ways to improve our production process in view of the tightening environmental measures. The graph below shows the change in international silver price quoted on the London Bullion Market Association ("**LBMA**") from January 2018 to December 2019:

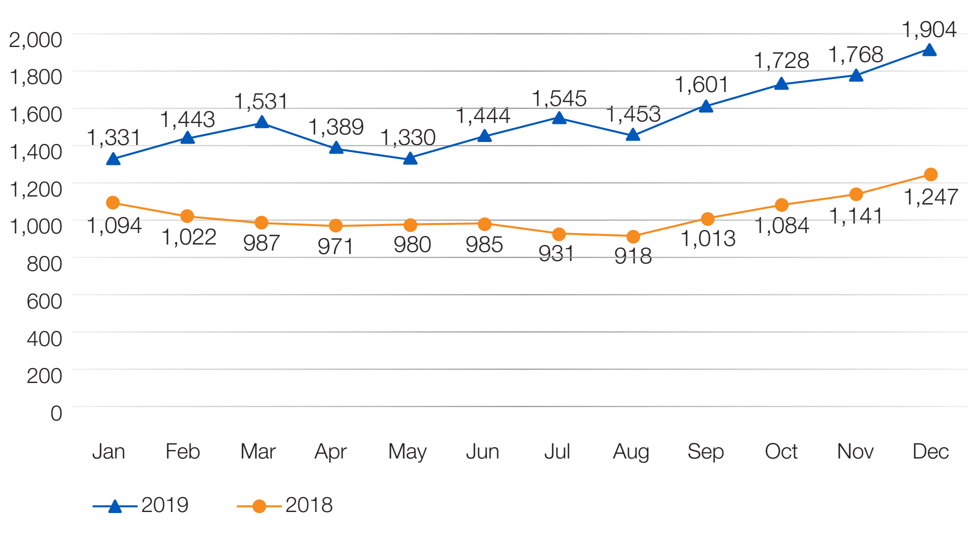
Monthly Average Silver Price (US$/oz)



Source: The London Bullion Market Association

Due to the continued strong market price of palladium, the Group saw a breakthrough in the sales of palladium during the year and realized sales of approximately RMB1,468.6 million for the year ended 31 December 2019. Its foray into the palladium market and the increase in silver sales have led to an increase in the Group's sales for the Manufacturing segment to approximately RMB2,629.7 million, up by approximately 128.7% over 2018. The graph below shows the change in international palladium price quoted on the LBMA from January 2018 to December 2019:

Monthly Average Palladium Price (US$/oz)



Source: The London Bullion Market Association

Other metal products such as lead ingot, zinc oxide, bismuth ingot and antimony ingot are produced during the production of silver ingot and palladium. Sales of other metal products slightly decreased from approximately RMB929.8 million to approximately RMB799.4 million for the year ended 31 December 2019.

New Jewellery Retail segment operated under CSMall Group (Stock code: 1815)

During 2019, CSMall Group recorded sales of approximately RMB1,248.9 million (2018: RMB2,496.9 million), representing a decrease of approximately 50.0%, mainly due to the change of marketing strategy by focusing on retail products with higher margin.

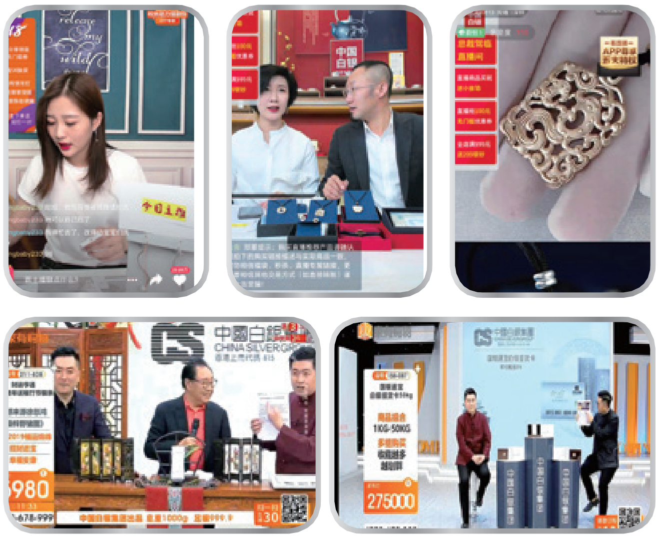
CSMall Group's business model incorporates four critical elements which complement each other, comprising (i) a comprehensive e-commerce platform, (ii) easily accessible offline retail and service network, (iii) data mining and utilisation capabilities, and (iv) innovative crossover sales and marketing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

Online Sales Channels

(i) Self-operated online platform

The Group's past implementation of the established strategy of attracting 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.

Offline Retail and Service Network

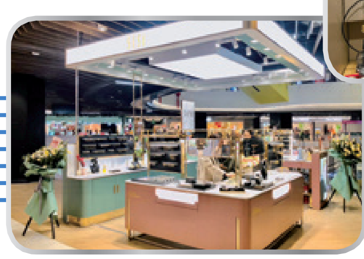
(i) CSmall Shops

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.

City	Number of shops
Zhejiang	50
Anhui	7
Shanghai	7
Jiangsu	6
Henan	5
Beijing	4
Inner Mongolia	4
Shandong	4
Fujian	3
Guangdong	3
Heilongjiang	3
Hubei	3
Jiangxi	3

City	Number of shops
Tianjin	3
Chongqing	2
Sichuan	2
Xi'an	2
Xinjiang	2
Yunnan	2
Hebei	1
Hunan	1
Jilin	1
Liaoning	1
Ningxia	1
Shaanxi	1

Total 121



(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.

Silver Exchange segment

During the year, the Silver Exchange segment recorded sales of approximately RMB48.5 million (2018: RMB104.7 million), representing a decrease of approximately 53.7%, mainly due to the decrease in transaction volume of trading silver ingots.

PROSPECTS

The global economic turmoil as well as Sino-US trade disputes, the pandemic of novel coronavirus ("**COVID-19**"), PRC's economic slowdown and other unstable factors will continue to cast a shadow over the global and Chinese economy for a prolonged period, and a larger demand for hedge assets such as silver, palladium and Gold Products will gradually emerge in the market. In particular, there is a larger room for growth in the demand for silver in the foreseeable future due to the absolute high level and higher safety margin of the gold-to-silver ratio. We therefore remain fully confident in the manufacture and sale of precious metals including silver, Gold Products and palladium. Based on the Group's forward-looking strategic planning and strong execution power which have led to the Group's continuous optimisation of product mix, the revenue and gross profit from the sale of precious metals including silver, Gold Products and palladium accounted for more than 97% of the Manufacturing segment in 2019, with the rest contributed by the metal by-products produced in the process of manufacturing the abovementioned precious metal products. This demonstrates the Group has transformed into an integrated enterprise mainly engaged in the manufacture and sale of silver, palladium, gold and other precious metals as its core business after the continuous optimisation of product mix over the years.

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

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 of CSMall Group, we intend to accelerate digital marketing and ultimately turn the corner. 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 CSMall Group in August 2019, our future expansion plan for our offline retail network will continue to be implemented steadily this year.

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

In 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.

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

Chen Wantian
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 RMB3,927.1 million (2018: RMB3,751.2 million), representing an increase of approximately 4.7% from that of 2018.

	2019		2018	
	Revenue RMB'000	**% of revenue**	Revenue RMB'000	% of revenue
Manufacturing segment				
Sales of silver ingot	**361,605**	**9.2%**	219,847	5.8%
Sales of palladium	**1,468,641**	**37.4%**	–	0.0%
Sales of other metal by-products	**799,441**	**20.4%**	929,820	24.8%
	2,629,687	**67.0%**	1,149,667	30.6%
New Jewellery Retail segment operated under CSMall Group				
Sales of gold, silver and jewellery products	**1,248,918**	**31.8%**	2,496,861	66.6%
Silver Exchange segment				
Commission income	**48,492**	**1.2%**	104,688	2.8%
Total	**3,927,097**	**100.0%**	3,751,216	100.0%

Manufacturing segment

Sales of silver ingot increased from approximately RMB219.8 million to approximately RMB361.6 million for the year ended 31 December 2019, representing an increase of approximately 64.5% from that 2018. The increase was mainly due to increase in sales volume and price of silver.

With the rise in international silver price and demand for silver, the average selling price of silver ingot was approximately RMB3.8 million (2018: RMB3.1 million) (value-added tax exclusive) per tonne. Sales volume of silver ingot increased from approximately 67 tonnes to approximately 96 tonnes.

Due to the continued strong market price of palladium, the Group saw a breakthrough in palladium sales during the year and realized sales of approximately RMB1,468.6 million for the year ended 31 December 2019. Its foray into the palladium market and the increase in silver sales have led to an increase in the Group's sales for the Manufacturing segment to approximately RMB2,629.7 million, up by approximately 128.7% over 2018.

Other metal products such as lead ingot, zinc oxide, bismuth ingot and antimony ingot are produced during the production of silver ingot and palladium. Sales of other metal products slightly decreased from approximately RMB929.8 million to approximately RMB799.4 million for the year ended 31 December 2019.

New Jewellery Retail segment operated under CSMall Group

During 2019, the New Jewellery Retail segment recorded sales of approximately RMB1,248.9 million (2018: approximately RMB2,496.9 million), representing a decrease of approximately 50.0% as compared to that of 2018, mainly due to the adverse impact of the Sino-US trade war on the macro-economy and the slowdown in the PRC's economic growth, which have had a negative impact on the PRC retail market. Meanwhile, the Group implemented proactive strategic adjustment which saw a shift from the promotion of low-margin gold bars to a focus on stimulating users brought in by previous promotion initiatives and increasing their repeat purchase rate and conversion rate. On this basis, we optimised our product mix to focus on the sale of a more diverse product offering and the promotion of high margin silver products.

Silver Exchange segment

During the year, the Silver Exchange segment recorded sales of approximately RMB48.5 million (2018: RMB104.7 million), representing a decrease of approximately 53.7%. The decrease were mainly due to the decrease in transaction volume.

Cost of sales and services provided

Manufacturing segment

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

Due to the significant contribution by the sales of palladium to the Group's revenue in the second half of 2019, the Company's management revisited the calculation of the cost of sales of palladium in the process of finalizing the Group's annual results for 2019. Following discussions between the Company's management and external auditor during the auditing process, the calculation of the cost of sales of palladium has been modified to accommodate the different material cost structure of producing palladium. This modification has resulted in an upward adjustment to the Group's cost of sales and services provided stated in its audited consolidated financial statements for the year ended 31 December 2019 contained in this annual report, as compared with that stated in the Company's unaudited annual results announcement dated 27 March 2020.

New Jewellery Retail segment operated under CSMall Group

Cost of sales mainly represents cost of materials used for the production of gold, silver and jewellery products. Except for silver, other materials like gold, amber and diamond are sourced from independent third parties. The amount decreased as the sales of CSMall Group decreased during the year.

Silver Exchange segment

Cost of sales and services provided mainly represents cost of materials and direct expenses incurred for trading of silver and the operation of the online exchange platform. The amount decreased as the decrease in transaction volume during the year.

Gross profit and gross profit margin

We recorded gross profit of approximately RMB531.1 million (2018: RMB596.3 million) for the year ended 31 December 2019, a decrease of approximately 10.9% as compared to that of 2018 due to the increase in unit cost of raw materials. The overall gross profit margin decreased to approximately 13.5% (2018: 15.9%).

Selling and distribution expenses

Selling and distribution expenses increased significantly by approximately 14.8% from approximately RMB49.6 million for the year ended 31 December 2018 to approximately RMB56.9 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 (see "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 24.4% from approximately RMB49.6 million to approximately RMB37.5 million for the year ended 31 December 2019, mainly due to the decrease in advertising cost for brand promotion of the New Jewellery Retail segment operated under CSMall Group.

Administrative expenses

Administrative expenses increased significantly by approximately 30.1% from approximately RMB148.7 million for the year ended 31 December 2018 to approximately RMB193.5 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 (see "MANAGEMENT DISCUSSION AND ANALYSIS – Significant investment held, material acquisition and disposal" for details) were excluded, the administrative expenses would have decreased by approximately 12.6% from approximately RMB148.7 million for the year ended 31 December 2018 to approximately RMB129.9 million for the year ended 31 December 2019. The decrease was mainly due to a decrease in staff cost of the Group.

Other expenses

Other expenses plummeted to approximately RMB0.8 million for the year ended 31 December 2019 from approximately RMB20.1 million for the year ended 31 December 2018, mainly because CSMall Group made a charitable donation for the establishment of a museum in 2018 to promote silver products while no such expenses were recorded during the year.

Income tax expense

The amount fell from approximately RMB77.9 million for the year ended 31 December 2018 to approximately RMB61.3 million for the year ended 31 December 2019 due to the decrease in profit before tax.

(Loss) profit attributable to owners of the Company

We saw a turnaround from a profit attributable to owners of the Company of approximately RMB149.0 million for the year ended 31 December 2018 to a loss attributable to owners of the Company of approximately RMB116.2 million for the year ended 31 December 2019, mainly because the strong segment profit growth in the Manufacturing segment was offset by the non-recurring impairment loss on goodwill of approximately RMB330.3 million, the one-off and non-cash share-based payment expenses of approximately RMB83.0 million and the overall sales decrease in the New Jewellery Retail segment.

Inventories, trade receivables and trade payables turnover cycle

The Group's inventories mainly comprise raw materials of ore powder, smelting slag, recycled materials and jewellery products. For the year ended 31 December 2019, inventory turnover days increased to approximately 237.2 days (for the year ended 31 December 2018: 205 days) as some raw materials were kept more than one year. Metals are durable and therefore it will not depreciate in value and maintained its value with less impact for a long run. The Group believes that it is advantageous to keep durable inventories with good cost control since we foresee that the price of raw materials shall increase in the near future. The Group also minimizes its risk on keeping long aged inventories through enhanced security check on the entry and exit of the warehouse.

The turnover days for trade receivables for the year ended 31 December 2019 were approximately 28 days (for the year ended 31 December 2018: 13.7 days), mainly due to more sales generated towards the year ended 31 December 2019 resulting in increased trade receivables.

The turnover days for trade payables for the year ended 31 December 2019 were approximately 17.3 days (for the year ended 31 December 2018: 22 days), mainly due to the Group speed up the payment process at the year ended 31 December 2019.

Borrowings

As of 31 December 2019, the Group's bank borrowings balance amounted to approximately RMB110.0 million, of which approximately RMB70.0 million was carried at fixed interest rate and approximately RMB40.0 million was carried at floating interest rate (as of 31 December 2018: RMB60.0 million which was carried at fixed interest rate). The amounts would be due for repayment within one year.

The Group also had trade loans of approximately RMB19.4 million carried out at fixed rate as of 31 December 2019 (as of 31 December 2018: Nil). The amounts would be due for repayment within one year.

The Group's net gearing ratio was calculated on the basis of the total bank borrowings and 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 -14.0% (as of 31 December 2018: -14.4%).

Capital expenditures

For the year ended 31 December 2019, the Group invested approximately RMB6.6 million in property, plant and equipment (2018: RMB14.2 million).

For the year ended 31 December 2019, the Group paid deposits and other direct costs of approximately RMB274.7 million in relation to the acquisition of a land use right, intangible assets and property, plant and equipment (2018: RMB138.0 million entirely for the acquisition of a land use right).

Pledge of assets

As at 31 December 2019, assets with the following carrying amounts were pledged to secure general banking facilities.

	2019	2018
	RMB'000	RMB'000
– Property, plant and equipment	**32,809**	53,158
– Leasehold land/prepaid lease payments	**17,262**	17,698
– Inventories	**172,782**	–
– Trade receivables	**75,000**	–
	297,853	70,856

Capital commitments

	2019	2018
	RMB'000	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	**36,451**	–
	133,018	182,932

Contingent liabilities

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

Employees

As of 31 December 2019, the Group employed 1,085 staff members (as of 31 December 2018: 1,165 staff members) and the total remuneration for the year ended 31 December 2019 amounted to approximately RMB179.5 million (2018: RMB116.6 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, trade loans and bank borrowings. The Group's principal financial instruments comprise bank balances and cash, restricted bank balances, trade and other receivables, trade and other payables, trade loans and bank borrowings. As of 31 December 2019, bank balances and cash, net current assets and total assets less current liabilities were approximately RMB610.7 million (as of 31 December 2018: RMB541.2 million), RMB2,922.2 million (as of 31 December 2018: RMB2,620.8 million) and RMB3,469.4 million (as of 31 December 2018: RMB3,376.5 million), respectively. As of 31 December 2019, the Group had bank borrowings and trade loans amounting to approximately RMB110.0 million and RMB19.4 million respectively (as of 31 December 2018: bank borrowings of RMB60.0 million).

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

The completion of the Transactions took place on 30 August 2019 and new shares have been issued by CSMall Group 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 CSMall Group was funded by CSMall Group 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.

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, Shenzhen and Shanghai 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 Wantian（陳萬天）, aged 46, is the chairman and an executive Director of the Company. He is a co-founder of the Group and was appointed to the Board on 19 July 2012. Mr. Chen Wantian has over ten years of experience in the non-ferrous metal mining and processing industry. Since May 2002, Mr. Chen Wantian has served as director and deputy general manager of Jiangxi Longtianyong Nonferrous Metals Co., Ltd.（江西龍天勇有色金屬有限公司）. He is responsible for the overall corporate strategies, management, planning and business development of the Group.

As at 31 December 2019, Mr. Chen Wantian had an interest in the shares of the Company and of CSMall Group, the details of which are set out in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Report of the Directors contained in this annual report.

Mr. Song Guosheng（宋國生）, aged 57, is the vice president and an executive Director of the Company. Mr. Song Guosheng joined the Group in 2002 and was appointed to the Board on 16 August 2012. Mr. Song Guosheng has approximately 20 years of experience in the production management in the non-ferrous metallurgical industry. He is responsible for production management of the Group.

Mr. Song Guosheng graduated from Suzhou University of Science and Technology Trade Unions（蘇州職工科技大學）in July 2004 with a diploma of business management.

As at 31 December 2019, Mr. Song Guosheng had an interest in the shares of the Company, the details of which are set out in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Report of the Directors contained in this annual report.

Mr. Liu Jiandong（柳建東）, aged 48, was appointed as executive Director on 17 June 2019. He has served as the chairman of Zhejiang Guoyin Cornerstone Investment Co., Ltd.（浙江國銀基石投資有限公司）, an investment firm based in Jingning She Autonomous County, Lishui City, Zhejiang Province, the PRC since May 2017. Prior to that, he worked at various companies in the PRC commerce and industry sector for over two decades, such as being an executive director of Hangzhou Runshi Technology Co., Ltd.（杭州潤石科技有限公司）from September 2015 to May 2017, and the chief executive of Zhejiang Lishi Industrial Co., Ltd.（浙江力石實業有限公司）from November 2009 to September 2015. He received a junior college degree（專科學歷）in business administration from the School of Modern Distance Education of Beihang University（北京航空航天大學現代遠程教育學院）, the PRC in July 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Song Hongbing（宋鴻兵）, aged 51, was appointed as an independent non-executive Director on 28 December 2015. Mr. Song Hongbing is a well-known Chinese economist with focus on the areas of global financial history and international commodity market. Mr. Song Hongbing was elected by BusinessWeek as one of the 40 most influential persons in China.

Mr. Song Hongbing graduated from Northeastern University in 1990 with a bachelor's degree in engineering. He obtained a master's degree in education from American University in 1996.

Dr. Li Haitao（李海濤）, aged 51, was appointed as an independent non-executive Director on 5 December 2012. Dr. Li Haitao has extensive research experience in the areas of hedging, derivatives and risk management. Dr. Li Haitao is currently appointed as Dean's Distinguished Chair Professor of Finance and Associate Dean of MBA Program at the Cheung Kong Graduate School of Business.

Dr. Li Haitao undertook the Ph.D program in geophysics at Yale University between 1991 and 1992. He received his Ph.D in finance from Yale University in 1998.

Dr. Zeng Yilong（曾一龍）, aged 48, was appointed as an independent non-executive Director on 5 December 2012. Dr. Zeng Yilong has approximately 20 years of experience in accounting, auditing and financial management. Dr. Zeng Yilong is the partner of Oriental Fortune Capital Investment Management Co. Ltd.（東方富海投資管理股份有限公司）, a reputable private equity fund management Company in the PRC.

Dr. Zeng Yilong obtained his master's degree in Business Administration and a doctoral degree in Business Administration (Accounting) from Xiamen University（廈門大學）in July 2000 and December 2006, respectively.

SENIOR MANAGEMENT

Mr. Chan Hon To（陳瀚濤）, aged 43, was appointed as the chief financial officer (the "**CFO**") of the Company on 17 June 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 secretary. 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 as at the date of this report. 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**"). During the year ended 31 December 2019, the Company has complied with the code provisions under the CG Code, except for the following deviation:

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation of Mr. Sung Kin Man, former chief executive officer of the Company, on 1 January 2019, Mr. Chen Wantian has served as both the chairman and the chief executive officer of the Company. The Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer of the Company in due course after taking into account of the then overall circumstances of the Group.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 throughout the year ended 31 December 2019.

BOARD OF DIRECTORS

(i) Board Composition

On 1 January 2019, Mr. Sung Kin Man resigned from his positions as an Executive Director and the Chief Executive Officer due to his desire to pursue other career opportunities, and Mr. Guo Bin resigned from his position as an Independent Non-Executive Director due to his desire to focus on his other career commitments. For details of the aforesaid changes, please refer to the announcement of the Company published on 1 January 2019.

On 17 June 2019, Mr. Chen Guoyu resigned from his positions as an Executive Director due to health reason. On the same day, Mr. Liu Jiandong was appointed as an Executive Director of the Company. For details of the aforesaid changes, please refer to the announcement of the Company published on 17 June 2019.

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 Wantian (Chairman and Chief Executive Officer)
Mr. Song Guosheng
Mr. Liu Jiandong

Independent Non-Executive Directors

Mr. Song Hongbing
Dr. Li Haitao
Dr. Zeng Yilong

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

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

(ii) Board Functions and Duties

The principal functions and duties conferred to the Board include:

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

(iii) Management Functions and Duties

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

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

(iv) Board Meetings

During the year under review, there were 7 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. During the year under review, the then company secretary of the Company had been responsible for ensuring the procedures of the board meetings are observed and keeping minutes for the board meetings which were sent to the Directors for records and are open for inspection at any reasonable time by any Director on reasonable notice.

(v) Attendance Record

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

	Attendance at meetings	
	Board meeting	Annual general meeting
Executive Director		
Mr. Chen Wantian (Chairman)	7/7	1/1
Mr. Song Guosheng	7/7	0/1
Mr. Chen Guoyu (resigned on 17 June 2019)	3/3	0/1
Mr. Liu Jiangdong (appointed on 17 June 2019)	4/4	0/0
Independent non-executive Directors		
Mr. Song Hongbing	7/7	0/1
Dr. Li Haitao	7/7	0/1
Dr. Zeng Yilong	7/7	0/1

(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 as at the date of this report. 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 the 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 for the year ended 31 December 2019 to the Company.

AUDIT COMMITTEE

The Board established an audit committee (the "**Audit Committee**") on 5 December 2012 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, Dr. Zeng Yilong (Chairman), Mr. Song Hongbing and Dr. Li Haitao. The terms of reference of the Audit Committee were revised and adopted on 30 December 2015 to include additional responsibility in relation to the risk management system arising from the Stock Exchange's proposal on the risk management and internal control under the Code applicable to all listed companies with accounting periods beginning on or after 1 January 2016. 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 period under review, the Audit Committee held 2 meetings. The members of Audit Committee reviewed and discussed with the external auditors of the Company the Group's audited consolidated financial statements for the year ended 31 December 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. 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
Dr. Zeng Yilong (Chairman)	2/2
Mr. Song Hongbing	2/2
Dr. Li Haitao	2/2

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 RMB4.1 million. In addition, approximately RMB0.3 million 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 54 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, Internal Audit Department has performed independent review of the adequacy and the effectiveness of the design and implementation of the risk management and internal control systems and make appropriate recommendations for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

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

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

- Review the changes in the nature and extent of significant risks since last year's review, and the Group's ability to respond to changes in its business and the external environment;

- Review the extent and frequency of communication of monitoring results to the Board and the Audit Committee, and effectiveness of the risk management, financial reporting and Listing Rules compliance;

- Address any significant control failings or weakness that have been identified during the review; and
- Review on the accounting, financial reporting and internal audit function, including the adequacy of resources, staff qualifications and experience, the quality of training programmes, and budget.

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

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

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

During the 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.

For the year ended 31 December 2019, the Board and the Audit Committee considered that the risk management and internal control systems of the Group were adequate and effective.

NOMINATION COMMITTEE

The Board established the Nomination Committee on 5 December 2012 with written terms of reference in compliance with the CG Code. Under the 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 Wantian (Chairman), Mr. Song Hongbing and Dr. Li Haitao, with the latter two being independent non-executive Directors.

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

In 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. 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.

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

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

	Attendance at meeting
Mr. Chen Wantian (Chairman)	**1/1**
Mr. Song Hongbing	**1/1**
Dr. Li Haitao	**1/1**

REMUNERATION COMMITTEE

The Board established the Remuneration Committee on 5 December 2012 with written terms of reference in compliance with the CG Code. Under Rule 3.25 of the Listing Rules, a majority of the members of the remuneration committee should be independent non-executive directors and the remuneration committee should be chaired by an independent non-executive director. The Remuneration Committee comprises Dr. Li Haitao (Chairman), Mr. Chen Wantian and Mr. Song Hongbing in which Dr. Li Haitao and Mr. Song Hongbing are independent non-executive Directors.

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

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

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

	Attendance at meeting
Dr. Li Haitao (Chairman)	**1/1**
Mr. Chen Wantian	**1/1**
Mr. Song Hongbing	**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	**3**	–
HK$1,000,001 to HK$1,500,000	**–**	2
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	1
	3	4

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the 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 executive Directors on 27 March 2020 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

Mr. Moy Yee Wo, Matthew, the former company secretary of the Company, resigned on 1 February 2019. On the same day, Mr. Yan Ho Yin was appointed as the company secretary of the company. Mr. Yan Ho Yin, the former company secretary of the Company, resigned on 17 June 2019. On the same day, Mr. Chan Hon To was appointed as the company secretary of the Company. For details of the aforesaid changes, please refer to the announcements of the Company published on 31 January 2019 and 17 June 2019.

During the year ended 31 December 2019, Mr. Chan Hon To 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 company secretary at the Company's principal place of business at Unit 1416, 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 company secretary will ask the Board to include the resolution in the agenda for the extraordinary general meeting.

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 and deposited at the company secretary at the Company's principal place of business at Unit 1416, 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 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 principal place of business in Hong Kong at Unit 1416, 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

There were no changes in the constitutional documents of the Company during the year ended 31 December 2019.

On behalf of the Board
Chen Wantian
Chairman

Hong Kong, 8 May 2020

REPORT OF THE DIRECTORS

The directors of our Company (the "**Directors**") are pleased to report the audited consolidated financial statements of our Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019.

REORGANISATION AND GLOBAL OFFERING

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 July 2012 under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation, as fully explained in the section of "History, Reorganization and Group Structure" in the prospectus of the Company dated 14 December 2012 (the "**Prospectus**") in connection with the proposed listing of the Company's shares (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the companies now comprising the Group. The Shares were listed on the Stock Exchange on 28 December 2012 (the "**Listing**").

Our Company carried out a spin-off and separate listing of its New Jewellery Retail business, which is owned and operated by CSMall Group Limited (stock code: 1815) (the "**CSMall Group**") and its subsidiaries, on the Main Board of the Stock Exchange. The shares of CSMall Group were listed on the Stock Exchange on 13 March 2018. As at the date of this report, our Company held approximately 40.39% interest in the issued share capital of CSMall Group.

PRINCIPAL ACTIVITIES

The principal activity of our Company is investment holding and the Group is principally engaged in three principal operating segments, including (i) the manufacturing and sales of silver ingots, palladium and other non-ferrous metals in the PRC (the "**Manufacturing segment**"), (ii) the new jewellery retail segment operated under CSMall Group, being the designing and sale of gold, silver, gem-set and jewellery products in the PRC (the "**New Jewellery Retail segment**"), and (iii) the operation of Shanghai Huatong, a professional integrated silver exchange platform in the PRC (the "**Silver Exchange segment**").

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 6 to 14 and "Management Discussion and Analysis" on pages 15 to 21 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 comprise the Manufacturing segment, New Jewellery Retail segment and Silver Exchange segment. The Group is 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. The Group generates dust, sulfur dioxide, wastewater and noise during the production process of silver and other non-ferrous metals. To minimise the impact of such production emission, the Group has installed equipment to process and dispose of industrial waste pursuant to the requirements under the relevant PRC laws and regulations. The management has also formulated environment management policy for the Group based on applicable environmental laws, regulations and standards and environmental facilities inspection policies. The environmental protection and work safety department is responsible for designing and reviewing the environmental protection management systems and 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 downstream manufacturers and traders of the Manufacturing segment and Silver Exchange segment, and consumers of the New Jewellery Retail segment. 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 of the Manufacturing segment and business partners of the New Jewellery Retail segment and Silver Exchange segment which provide value-added services to the Group.

(d) Shareholders

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 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 years ended 31 December 2018 and 2019. 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 150 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 approximately 41.7% (2018: 35.7%) and 19.7% (2018: 11.9%) 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 approximately 56.4% (2018: 48.3%) and 15.1% (2018: 12.3%) 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 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 32 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 63 of this report.

As of 31 December 2019, the reserves of our Company available for distribution to shareholders amounted to RMB1,055,471,000 (2018: RMB1,040,288,000).

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 and bank borrowings of the Group as of 31 December 2019 are set out in note 28 and note 31 respectively to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Mr. Chen Wantian
Mr. Song Guosheng
Mr. Liu Jiandong (appointed on 17 June 2019)
Mr. Chen Guoyu (resigned on 17 June 2019)

Independent Non-Executive Directors:

Mr. Song Hongbing
Dr. Li Haitao
Dr. Zeng Yilong

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 22 to 23 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company, based on such confirmations, considers such Directors to be independent for the year ended 31 December 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 holding 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 share option schemes as incentives for eligible employees, details of which are set out in the paragraph headed "Share Option Schemes" 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.

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

As of 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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:

(i) Interests in Shares of the Company

Name of director	Capacity/Nature of interest	Number of Shares[1]	Approximate percentage of interest in our Company
Mr. Chen Wantian	Interest in controlled corporation/ Beneficial Interest[2]	411,422,187	25.28%
Mr. Song Guosheng	Beneficial Interest[3]	2,006,797	0.12%

Notes:

1. All interests are long positions.
2. Mr. Chen Wantian is deemed to be interested in 405,722,187 Shares owned by Rich Union Enterprises Limited as the legal owner of the entire issued share capital of Rich Union Enterprises Limited. Mr. Chen Wantian was granted share options to subscribe for 4,650,000 Shares, details of which are disclosed under the paragraph headed "Share Option Schemes" below. Further, Mr. Chen Wantian is the beneficial owner of 1,050,000 Shares.
3. Mr. Song Guosheng was granted share options to subscribe for 1,550,000 Shares, details of which are disclosed under the paragraph headed "Share Option Schemes" below. Further, Mr. Song Guosheng is the beneficial owner of 456,797 Shares.

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

Name of director	Capacity/Nature of interest	Number of shares[1]	Approximate percentage of interest in CSMall Group
Mr. Chen Wantian	Interest in controlled corporation/ Beneficial interest[2]	10,479,536	0.85%

Notes:

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

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

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 Executive's 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.

Interests in Shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of Shares[1]	Approximate percentage of interest in our Company
Pandanus Associates Inc.	Interest in controlled corporation[2]	129,998,000 (L)	7.99%
Pandanus Partners L.P.	Interest in controlled corporation[2]	129,998,000 (L)	7.99%
FIL Limited	Interest in controlled corporation[2]	129,998,000 (L)	7.99%
Brown Brothers Harriman & Co.	Agent[3]	82,010,508 (L)	5.04%
		82,010,508 (P)	5.04%

Notes:

1. The letter "(L)" denotes long positions while the letter "(P)" denotes interests held under a lending pool.

2. Pandanus Associates Inc. is a general partner of Pandanus Partners L.P., which owns or controls approximately 37.51% of the voting rights in FIL Limited, which in turn is interested in 129,998,000 Shares through various wholly-owned subsidiaries.

3. Brown Brothers Harriman & Co. holds 82,010,508 Shares as a lending agent on behalf of its clients. These Shares are held under a lending pool and are available for lending.

Save 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.

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 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

As disclosed in the Prospectus, each of Mr. Chen Wantian, Ms. Zhou Peizhen and Rich Union Enterprises Limited (the "**Controlling Shareholders**") has executed a deed of non-competition in favor of the Company (the "**Deed of Non-Competition**") through which they have jointly and severally undertaken to the Company not to, and will procure that none of their respective associates, (a) directly or indirectly engage, participate or hold any right or interest in or otherwise be involved in any business in competition with or likely to be in competition with our existing business activity or any principal business activity of any member of the Group or be in competition with us in any business activities which we may undertake in the future (the "**Restricted Business**") save for (i) the holding of not more than 5% shareholding interests (individually or any of the Controlling Shareholders with their associates collectively) in any listed company in Hong Kong; or (ii) the holding of shares in any listed company in Hong Kong where the Restricted Business conducted or engaged in by such company accounts for less than 10% of the relevant company's consolidated turnover or consolidated assets, or (iii) where the Controlling Shareholders are already, directly or indirectly, interested or invested in the operations of companies which are engaging in Restricted Business and details of which have been specifically disclosed in the Prospectus, or (b) take any direct or indirect action which constitutes an interference with or a disruption to our business activities including, but not limited to, solicitation of our customers, suppliers or staff.

To the best knowledge and belief of the Directors, the Deed of Non-Competition ceased to have any effect on Ms. Zhou Peizhen as she ceased to be a controlling shareholder (as defined under the Listing Rules) of the Company on 11 July 2014.

Each of Mr. Chen Wantian and Rich Union Enterprises Limited has provided a written confirmation to the Company confirming that he/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 each of Mr. Chen Wantian and Rich Union Enterprises Limited and confirmed that, as far as they can ascertain, each of Mr. Chen Wantian and Rich Union Enterprises Limited 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. Those related party transactions did not constitute connected transactions under the Listing Rules. For the year ended 31 December 2019, the Group had not entered into any connected transactions nor continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules.

CONTRACTUAL ARRANGEMENTS

On 11 December 2001, the State Council adopted the Regulations on the Administration of Foreign-invested Telecommunication Enterprises (the "**FITE Regulations**"), which came into effect on 1 January 2002 and was amended on 10 September 2008. According to the FITE Regulations, the ratio of investment by foreign investors in a foreign-invested telecommunication enterprise which engages in the operation of value-added telecommunication business shall not ultimately exceed 50%, and the foreign investor in a foreign-invested telecommunication enterprise engaging in value-added telecommunication businesses shall have a good business record and experience in operating value-added telecommunication business (the "**Qualification Requirement**"). Currently, none of the applicable PRC laws, regulations or rules provides clear guidance on the interpretation of the good business record and experience in operating value-added telecommunication business.

On 19 January 2015, the Ministry of Commerce released Foreign Investment Law of the PRC (Draft for Comment) (the "**Draft Foreign Investment Law**") and Notes to the Foreign Investment Law of the PRC (Draft for Comment) (the "**Notes**"). The Draft Foreign Investment Law (i) expressly stipulates that foreign investments include situations where foreign investors obtain direct or indirect control or interests in the PRC enterprises through structured contracts, trust or other ways and (ii) specifies the restrictions on foreign investments under the prohibited and restricted lists (the "**Negative List**").

During the year ended 31 December 2019, certain business activities of the Group which were/are categorised as "restricted" business under the PRC laws and regulations have been carried out by the Group through a series of contractual agreements (the "**VIE Agreements**") with certain PRC nationals to control Shanghai Huatong Silver Exchange*（上海華通鉑銀交易市場有限公司）("**Shanghai Huatong**" or the "**Structured Entity**"), a limited liability company established in the PRC, pursuant to which the economic benefits and control of the Structured Entity are transferred to the relevant subsidiary of the Company (the "**VIE Structure**").

(i) VIE Structure

2016 Contractual Arrangements

The Group through its subsidiary Shenzhen Guoyintongbao Company Limited*（深圳國銀通寶有限公司）("**SZ Silver**") entered into a series of contractual agreements (the "**2014 VIE Agreements**") with Shenzhen Yinruiji Cultural Development Company Limited*（深圳銀瑞吉文化發展有限公司）("**SZ Yinruiji**") and/or its shareholders on 20 May 2014 (the "**2014 Contractual Arrangements**") which allows the Group to exercise full control of SZ Yinruiji.

On 6 July 2015, SZ Yinruiji acquired an aggregate of 25% equity interest in Shanghai Huatong for an aggregate consideration of RMB40 million. To acquire the remaining 75% equity interest in Shanghai Huatong, on 28 January 2016, Wenzhou Yintong Economic Information Consultation Company Limited*（溫州銀通經濟信息諮詢有限公司 (“**WZ Yintong**”), a wholly owned subsidiary of the Company, entered into a series of contractual agreements (the “**2016 VIE Agreements**”) with Shanghai Huatong and/or its shareholders (the “**2016 Contractual Arrangements**”). As part of the acquisition for the 75% equity interest in Shanghai Huatong, all of the equity interest in Shanghai Huatong has been transferred to the nominees of the Company who are the registered equity-holders (the “**Registered Equity-holders**”) of Shanghai Huatong. Shanghai Huatong is engaged in internet information service and e-commerce business, which fall into the value-added telecommunications services and are considered restricted according to the Guiding Catalog of Industries for Foreign Investment Industries promulgated in 2015. Following certain changes to applicable PRC laws and regulations in the first half of 2015, wholly foreign owned enterprises are now permitted to hold the relevant licence to engage in operating e-commerce transactions. Since such developments in PRC laws and regulations, the Group has sought to obtain, own and operate the relevant licences to allow it to operate the business of Shanghai Huatong. On 22 August 2017, the Group entered into the contractual arrangement termination agreement (the “**Contractual Arrangement Termination Agreement**”) to unwind the 2014 VIE Agreements and completed the unwinding of the 2014 Contractual Arrangements. Details of the Contractual Arrangement Termination Agreement are set out in the announcements of the Company dated 9 August 2017 and 22 August 2017.

Through Shanghai Huatong’s trading platform, the Group will be able to gather all valuable information of the entire industry chain and can provide the best one-stop services, including trading, storage, logistics, etc. to their customers. Shanghai Huatong seeks to link together the national and international spot markets of silver so as to further strengthen the fairness and recognition of the integrated price which will be the core pricing criteria for silver in the near future. It is expected more Renminbi-priced commodities such as platinum and palladium will be introduced to the customers of Shanghai Huatong.

(ii) Significance and financial contribution of the Structured Entity to the Group

During the year ended 31 December 2019, the Structured Entity was significant to the Group as it held relevant license to provide internet information services. The following table sets out the Registered Equity-holders and business activities of the Structured Entity:

Name of the operating company	Registered Equity-holders	Business activities
Shanghai Huatong[1]	80% by Mr. Zhou Peiliang 20% by Mr. Chen Zhiyong	Internet information service and e-commerce business

Notes:

1. Shanghai Huatong was granted an internet content provider licence by the relevant PRC authorities on 4 January 2016.

The following table sets out the financial contribution of the Structured Entity to the Group:

	Revenue for the year ended 31 December 2018 (RMB million)	**Revenue for the year ended 31 December 2019 (RMB million)**	**Assets as at 31 December 2019 (RMB million)**
Shanghai Huatong	103	**48**	**353**

(iii) Risks and mitigation relating to the VIE Structure

In connection with the VIE Structure, the Group is subject to certain risks and limitations, which are summarized below:

(a) If Shanghai Huatong fails to obtain the requisite licenses and approvals to continually operate its online sales or trading business in the PRC, the Group's business and financial position may be adversely affected.

(b) Foreign direct investment in value-added telecommunications business is governed by the FITE Regulations, which require a foreign investor who would like to acquire any equity interest in the value-added telecommunications business to meet the Qualification Requirement. The Group has been taking steps to build up its business record and experience, but given the lack of guidelines in this unclear area of the law, there is no guarantee that the steps taken will be sufficient to enable the Company to ultimately acquire the ownership in Shanghai Huatong. The exercise of the option to acquire the ownership of Shanghai Huatong may be subject to substantial costs. Under the Exclusive Option Agreement, WZ Yintong has the sole discretion to require the shareholders of Shanghai Huatong to transfer their equity interest in Shanghai Huatong to WZ Yintong at the lower of (i) the amount of the registered capital contributed by the shareholders in accordance with their respective percentage of equity interest in Shanghai Huatong and (ii) the lowest price permitted under the PRC laws. The relevant PRC authorities may require WZ Yintong to pay a substantial amount of enterprise income tax for the income from the ownership transfer if the purchase price is set below the market value.

(c) Although the PRC legal adviser to the Company expressed the view that the VIE Structure is in compliance with the relevant PRC laws and regulations, uncertainties exist regarding the interpretation and application of the PRC laws and regulations, especially in the area of value-added telecommunications business. The PRC legal adviser to the Company cannot assure that the PRC regulatory authorities will not determine that the Company's corporate structure and the VIE Structure violate the PRC laws, rules or regulations. The PRC legal adviser to the Company also cannot rule out the possibility that there may be amendments to the Draft Foreign Investment Laws and the Notes before promulgation and implementation of the New Foreign Investment Law which may have a material adverse impact on the Group at the time when they take effect. If Shanghai Huatong is found to be in violation of any future PRC foreign investment laws or regulation and/or any other laws or regulation, the relevant PRC regulatory authorities would have broad discretion in dealing with such violation including levying fines, confiscating the income, revoking Shanghai Huatong's business or operating licence(s), to restructure the relevant ownership structure or operations, and to dispose of all or some of its equity interest in Shanghai Huatong. Any of these actions could cause material and adverse effect in the Group's ability to conduct business. In addition, if the imposition of any of these penalties causes the Company to lose the rights to receive its economic benefits from the Shanghai Huatong, the Company will no longer be able to consolidate Shanghai Huatong. In case the Company is required to dispose of all the equity interest in Shanghai Huatong, the Company may record a substantial loss and the Company's financial condition and results of operation may be materially and adversely affected.

(d) The 2016 VIE Agreements may not provide control as effective as direct ownership. The Company has to rely on the rights of WZ Yintong under the 2016 VIE Agreements to effect changes in the management of Shanghai Huatong and make an impact on its business decision making, as opposed to exercising its rights directly as a registered equity-holder. If Shanghai Huatong or its Registered Equity-holders refuse to cooperate, the Company will face difficulties in effecting control over the Shanghai Huatong's operation of business through the VIE Structure, which may adversely affect the Company's business efficiency.

(e) The Registered Equity-holders of Shanghai Huatong may have potential conflicts of interest with the Group. Although there are provisions under the Exclusive Option Agreement to prevent those situations, conflicts of interest may still arise when the interest of any Registered Equity-holder does not align with that of the Company, and such Registered Equity-holder may breach or cause Shanghai Huatong to breach the 2016 VIE Agreements. If the Group fails to resolve this internally, it may have to resort to formal dispute resolution proceedings, which may be costly and time-consuming and which outcome is uncertain. If ultimately any Registered Equity-holder has to be removed, it may be difficult for the Company to maintain investors' confidence in the VIE Structure.

(f) The VIE Agreements may be subject to scrutiny by the tax authorities and additional tax may be imposed. Under the Exclusive Consultancy and Services Agreement, Shanghai Huatong is required to pay WZ Yintong a service fee for the services rendered by WZ Yintong. Such service fee payments between related parties may be subject to scrutiny or challenge by the PRC tax authorities within ten years after the taxable year during which such transactions are conducted.

(g) Although the Company intends to take the steps as described above to meet the Qualification Requirement and the Company's PRC legal adviser has confirmed that the overseas business experience can be counted towards the Qualification Requirement, there is no assurance that those steps will be sufficient to satisfy the Qualification Requirement, especially when the relevant PRC authorities have not issued any clear guidance as to the interpretation of the Qualification Requirement. Thus, there is a risk that when the foreign ownership restrictions are lifted in the future, the Group may be required to unwind the VIE Structure before it is in a position to comply with the Qualification Requirement.

(h) The Company has put in place internal controls to safeguard its assets held through the 2016 VIE Agreements. Shanghai Huatong is required to make available monthly management accounts and submits key operating data after each month end and provide explanations on any material fluctuations to WZ Yintong. Shanghai Huatong assists and facilitates WZ Yintong to conduct quarterly on-site internal audit on Shanghai Huatong and if required, legal advisers and, or other professionals will be retained to deal with specific issues arising from the 2016 VIE Agreements and to ensure that the operation of Shanghai Huatong will comply with applicable laws and regulations.

(i) As the Draft Foreign Investment Law and the Notes are not formally promulgated and no Negative List is formulated or promulgated by the State Council according to the Draft Foreign Investment Law and the Notes, there is uncertainty as to whether the business of Shanghai Huatong will fall into the restricted list or prohibited list of the Negative List. According to current Draft Foreign Investment Law and the Notes, with respect to investment arrangement through VIE structure before the New Foreign Investment Law taking effect, if the relevant investment still falls within restricted or prohibited industries for foreign investment, it will be subject to (i) reporting; (ii) verification; or (iii) access permission requirements. There is uncertainty as to which one of the three possible regimes will be finally adopted in the New Foreign Investment Law. Taking into account the facts that the consultation stage for public comment of the Draft Foreign Investment Law and the Notes ended in February 2015 and a number of legislative stages have to be undergone before the promulgation and implementation of the New Foreign Investment Law, and the undertaking provided by Mr. Chen Wantian in respect of the VIE structure of Shanghai Huatong, the Directors consider that proper arrangement has been made at this stage to mitigate against the risk to the minimal risk level that, the business under the 2016 Contractual Arrangements may become non-compliance with the Draft Foreign Investment Law and the Notes.

(j) The Board will review the VIE Structure regularly and determine if the Group encounters any issues in safeguarding its assets held through the 2016 VIE Agreements. If any major issues or difficulties arise in doing so, the Board will engage legal advisers and/or other professionals to assist the Group to tackle such issues or difficulties.

Up to 31 December 2019, the Group did not maintain any insurance to cover the risks relating to the VIE Agreements.

Despite the above, as advised by the PRC legal advisers to the Company, the VIE Structure is in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under the current PRC laws. The Company will monitor the relevant PRC laws and regulations relevant to the VIE Structure and will take all necessary actions to protect the Company's interest in Shanghai Huatong.

(iv) Material changes

Save as disclosed above, during the year ended 31 December 2019, there was no material change in the VIE Agreements and/or the circumstances under which they were adopted.

(v) Unwinding of the VIE Agreements

Up to 31 December 2019, other than the 2014 VIE Agreements which were unwound on 22 August 2017, none of the VIE Agreements has been unwound.

SHARE OPTION SCHEMES

The Company adopted a share option scheme on 5 December 2012 (the "**2012 Scheme**") and 21 April 2015 (the "**2015 Scheme**", together with the 2012 Scheme, the "**Share Option Schemes**") respectively. The purpose of the Share Option Schemes is to reward participants who have contributed to our Group and to encourage participants to work towards enhancing the value of our Group. Further details of the Share Options Schemes are set out in note 34 to the consolidated financial statements.

Details of the movement of the share options granted under the 2012 Scheme during the year ended 31 December 2019 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1.1.2019	Lapsed during the period	Exercised during the period	Outstanding as of 31.12.2019
Directors							
Mr. Chen Wantian	3 July 2013	HK$0.96	3 July 2014 – 2 July 2023	2,450,000	–	–	2,450,000
	20 August 2014	HK$2.20	20 August 2015 – 19 August 2024	2,200,000	–	–	2,200,000
Mr. Song Guosheng	3 July 2013	HK$0.96	3 July 2014 – 2 July 2023	1,050,000	–	–	1,050,000
	20 August 2014	HK$2.20	20 August 2015 – 19 August 2024	500,000	–	–	500,000
Employees							
In aggregate	3 July 2013	HK$0.96	3 July 2014 – 2 July 2023	3,150,000	–	(3,150,000)	–
	20 August 2014	HK$2.20	20 August 2015 – 19 August 2024	24,300,000	(2,100,000)	–	22,200,000
	2 January 2015	HK$1.80	2 January 2016 – 1 January 2025	48,484,000	(3,684,000)	–	44,800,000
				82,134,000	(5,784,000)	(3,150,000)	73,200,000

The total number of Shares available for issue under the 2012 Scheme is 73,200,000 representing, approximately 4.50% of the Company's issued share capital as at 31 December 2019.

Details of the movement of the share options granted under the 2015 Scheme during the year ended 31 December 2019 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1.1.2019	Lapsed during the period	Exercised during the period	Outstanding as of 31.12.2019
Employees							
In aggregate	27 August 2015	HK$1.97	27 August 2016 – 26 August 2025	100,462,000	(19,462,000)	–	81,000,000
				100,462,000	(19,462,000)	–	81,000,000

The total number of Shares available for issue under the 2015 Scheme is 81,000,000, representing approximately 4.98% of the Company's issued share capital as at 31 December 2019.

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

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

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

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

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

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

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

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

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

EQUITY-LINKED AGREEMENTS

Save as the Share Option Schemes disclosed above, 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

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 of CSMall Group; and (ii) made a charitable donation of RMB10 million to a museum which aims to promote silver products in the PRC, namely Jingning She Autonomous County Sheyin Museum（景寧畲族自治縣畲銀博物館）, pursuant to a co-operation agreement entered into between the Group and the People's Government of the Jingning She Autonomous County（景寧畲族自治縣人民政府）regarding the museum. There was no such charitable donations during the year ended 31 December 2019.

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 39(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 for the year ended 31 December 2019.

PERMITTED INDEMNITY PROVISION

Pursuant to article 164 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 24 to 36 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 not changed its external auditors in any of the preceding three years.

On behalf of the Board
Chen Wantian
Chairman

Hong Kong, 8 May 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of China Silver Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 60 to 149, 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.

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. Those 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
Impairment of goodwill, intangible assets and other non-current asset allocated to operating segment of providing professional electronic platform, related services for silver and other metals trading ("Silver Exchange segment")	
We identified impairment of goodwill, intangible assets and other non-current asset allocated to Silver Exchange segment as a key audit matter due to the significant management judgements involved in the impairment testing. As disclosed in Notes 4, 19 and 20 to the consolidated financial statements, in determining whether goodwill, intangible assets and other non-current asset were impaired required an estimation of the value in use of Silver Exchange segment. The value in use was determined by the management based on the cash flows of this cash–generating unit discounted to its present value and the Group appointed an independent valuer to perform such valuation. This required the use of key assumptions including the estimation of cash inflows/outflows, terminal growth rate and discount rate applied. The Group recognised impairment losses of RMB330,262,000, RMB1,680,000 and RMB321,000 on goodwill, intangible assets and a deposit paid on acquisition of intangible assets under non-current asset allocated to Silver Exchange segment, respectively, during the year ended 31 December 2019. As disclosed in Notes 19, 20 and 23 to the consolidated financial statements, as at 31 December 2019, the carrying amount of goodwill was fully impaired and the carrying amounts of intangible assets and a deposit paid on acquisition of intangible assets allocated to Silver Exchange segment were RMB83,248,000 and RMB15,886,000, respectively.	Our procedures in relation to evaluating the appropriateness of the impairment of goodwill, intangible assets and other non-current asset allocated to Silver Exchange segment included: • Evaluating the competence, capabilities and objectivity of the independent qualified professional valuer engaged by the management; • Understanding the Group's impairment assessment process, including the valuation model adopted and the key assumptions used and the involvement of independent valuer appointed by the Group; • Evaluating the appropriateness of valuation model adopted and the key assumptions used; • Evaluating the historical accuracy of the cash flow forecasts of Silver Exchange segment prepared by the management by comparing the historical cash flow forecast with the actual performance; • Evaluating the reasonableness and arithmetic accuracy of free cash flow and discount rate adopted in the valuation model with the assistance from our internal valuation experts; and • Evaluating the potential impact of the impairment assessment based on the reasonably possible changes of the key assumptions used in valuation model.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of palladium sales	
We identified revenue recognition of palladium sales as a key audit matter due to its significant contribution to the Group's revenue in the second half year of 2019. The Group recognises revenue when control of goods has been transferred, being when the goods have been delivered to the customer's specific location. For the year ended 31 December 2019, the Group's revenue arising from palladium sales amounted to RMB1,468,641,000, which is set out in Note 5(i) to the consolidated financial statements.	Our procedures in relation to revenue recognition of palladium sales included: • Obtaining an understanding of the palladium market in China; • Performing background searches, site visits and interviews, as appropriate, for selected major customers and logistics company responsible for the delivery of the goods; • Checking the supporting documents for recognition of the revenue from palladium sales including sales contracts, sales invoices, good delivery notes and evidence of the customers' acknowledgement of receipt of the goods, on a sample basis; • Obtaining audit confirmations to confirm the sales transactions amounts from customers, on a sample basis, and performing alternative procedures for unreturned confirmations, if any; and • Performing analytical procedures on the sales of palladium, identifying any unusual pattern of revenue and obtaining explanation from the management of the Group together with checking of the relevant supporting documents.

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.

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

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	**3,927,097**	3,751,216
Cost of sales and services provided		**(3,395,957)**	(3,154,867)
Gross profit		**531,140**	596,349
Other income	7a	**16,689**	10,731
Other gains and losses	7b	**(4,505)**	(869)
Selling and distribution expenses		**(56,894)**	(49,551)
Administrative expenses		**(193,493)**	(148,737)
Research and development expenses	8	**(2,373)**	(2,897)
Other expenses		**(791)**	(20,093)
Impairment loss under expected credit loss model, net of reversal	10	**(5,808)**	(3,849)
Impairment loss on goodwill	19	**(330,262)**	(77,059)
Finance costs	9	**(9,482)**	(5,492)
Share of result of an associate		**–**	(280)
(Loss) profit before tax		**(55,779)**	298,253
Income tax expense	11	**(61,322)**	(77,912)
(Loss) profit for the year	12	**(117,101)**	220,341
Other comprehensive expense, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**–**	(1,073)
Total comprehensive (expense) income for the year		**(117,101)**	219,268
(Loss) profit for the year attributable to:			
Owners of the Company		**(116,195)**	148,950
Non-controlling interests		**(906)**	71,391
		(117,101)	220,341
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(116,195)**	147,877
Non-controlling interests		**(906)**	71,391
		(117,101)	219,268
		RMB	RMB
(Loss) earnings per share	15		
Basic		**(0.071)**	0.092
Diluted		**(0.071)**	0.092

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**142,994**	156,752
Right-of-use assets	17	**25,369**	–
Prepaid lease payments	18	**–**	17,266
Goodwill	19	**–**	330,262
Intangible assets	20	**88,464**	101,004
Deferred tax assets	21	**6,756**	3,419
Equity instrument at fair value through other comprehensive income	22	**8,963**	8,963
Deposits paid on acquisition of non-current assets	23	**274,682**	138,046
		547,228	755,712
CURRENT ASSETS			
Prepaid lease payments	18	**–**	432
Inventories	24	**2,306,228**	2,107,302
Trade and other receivables	25	**490,185**	440,163
Tax recoverable		**–**	6,364
Restricted bank balances	26	**25,345**	162,052
Bank balances and cash	26	**610,679**	541,242
		3,432,437	3,257,555
CURRENT LIABILITIES			
Trade and other payables	27	**284,233**	535,167
Trade loans	28	**19,428**	–
Lease liabilities – current portion	29	**5,926**	–
Contract liabilities	30	**57,653**	24,063
Deferred income	33	**715**	715
Income tax payable		**32,311**	16,831
Bank borrowings	31	**110,000**	60,000
		510,266	636,776
NET CURRENT ASSETS		**2,922,171**	2,620,779
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,469,399**	3,376,491

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	2019 RMB'000	2018 RMB'000
CAPITAL AND RESERVES			
Share capital	32	**13,275**	13,246
Share premium and reserves		**2,573,974**	2,684,470
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**2,587,249**	2,697,716
Non-controlling interests		**854,406**	650,575
TOTAL EQUITY		**3,441,655**	3,348,291
NON-CURRENT LIABILITIES			
Deferred tax liabilities	21	**20,586**	22,547
Lease liabilities – non-current portion	29	**2,220**	–
Deferred income	33	**4,938**	5,653
		27,744	28,200
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**3,469,399**	3,376,491

The consolidated financial statements on pages 60 to 149 were approved and authorised for issue by the board of directors on 8 May 2020 and are signed on its behalf by:

CHEN WANTIAN	**SONG GUOSHENG**
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	Share payment options reserve RMB'000	Capital reserve RMB'000 (Note i)	Statutory reserve RMB'000 (Note ii)	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Attributable to non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	13,242	1,095,250	106,713	201,491	159,818	(1,663)	1,048,901	2,623,752	148,697	2,772,449
Profit for the year	–	–	–	–	–	–	148,950	148,950	71,391	220,341
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(1,073)	–	(1,073)	–	(1,073)
Total comprehensive (expense) income for the year	–	–	–	–	–	(1,073)	148,950	147,877	71,391	219,268
Recognition of equity-settled share-based payments (Note 34)	–	–	11	–	–	–	–	11	–	11
Transfer	–	–	–	–	23,919	–	(23,919)	–	–	–
Issue of shares upon exercise of share options	4	1,010	(246)	–	–	–	–	768	–	768
Deemed disposal of partial interest in CSMall Cayman (as defined in Note i) arising from spin-off (Note 44(iii))	–	–	–	(74,692)	–	–	–	(74,692)	430,487	355,795
At 31 December 2018	13,246	1,096,260	106,478	126,799	183,737	(2,736)	1,173,932	2,697,716	650,575	3,348,291
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(116,195)	(116,195)	(906)	(117,101)
Transfer	–	–	–	–	2,155	–	(2,155)	–	–	–
Lapse of share options	–	–	(13,454)	–	–	–	13,454	–	–	–
Issue of shares upon exercise of share options	29	4,082	(1,315)	–	–	–	–	2,796	–	2,796
Capital injection of a non-wholly owned subsidiary, 永豐縣通盛小額貸款股份有限公司("**Tongsheng**")	–	–	–	–	–	–	–	–	20,000	20,000
Capital reduction of Tongsheng	–	–	–	–	–	–	–	–	(30,000)	(30,000)
Deemed disposal of partial interest in CSMall Cayman arising from issue of shares to participants of a new employee share scheme of CSMall Cayman (Note 44(iii))	–	–	–	(4,671)	–	–	–	(4,671)	87,679	83,008
Deemed disposal of partial interest in CSMall Cayman arising from issue of shares of CSMall Cayman to a strategic investor (Note 44(iii))	–	–	–	7,603	–	–	–	7,603	129,177	136,780
Transaction costs directly attributable to the issue of new shares by CSMall Cayman	–	–	–	–	–	–	–	–	(2,119)	(2,119)
At 31 December 2019	13,275	1,100,342	91,709	129,731	185,892	(2,736)	1,069,036	2,587,249	854,406	3,441,655

Notes:

(i) The capital reserve represents the sum of (a) RMB31,487,000 being the excess of the consideration paid by an independent investor to acquire 10% interest in the Group over the par value of the share capital subscribed; (b) RMB654,000 being the excess of the share capital of a subsidiary acquired by the Company over the nominal consideration of US$1 paid, as part of the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2012; (c) RMB115,029,000 and RMB54,303,000 being the difference between the increase in the non-controlling interests and the consideration received from the disposal of partial interest in CSMall Group Limited BVI ("**CSMall BVI**") in 2016 and 2017, respectively; (d) RMB18,000 being the difference between the increase in the non-controlling interests and the consideration received from the increase of partial interest in Tongsheng in 2017; (e) a negative amount of RMB74,692,000 being the difference between the increase in the non-controlling interests and the net proceeds received from the initial listing of shares in a Group's subsidiary, CSMall Group Limited ("**CSMall Cayman**") in March 2018 (as detailed in Note 44(iii)); and (f) decrease of RMB4,671,000 and increase of RMB7,603,000 being the shortfall of RMB83,008,000 of the share-based payment expense paid by CSMall Cayman and excess of the proceeds of RMB136,780,000 received from a strategic investor of CSMall Cayman, respectively, over the increase in the carrying amounts of non-controlling interests as a result of share issuance.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(55,779)**	298,253
Adjustments for:		
Amortisation of intangible assets	**10,860**	12,957
Bank interest income	**(2,707)**	(4,003)
Depreciation of property, plant and equipment	**19,988**	23,673
Depreciation of right-of-use assets	**8,223**	–
Share-based payments of CSMall Cayman	**83,008**	–
Finance costs	**9,482**	5,492
Impairment loss on deposits paid for intangible assets and intangible assets	**2,001**	–
Impairment loss on goodwill	**330,262**	77,059
Impairment loss under expected credit loss model, net of reversal	**5,808**	3,849
Loan interest income	**(734)**	(4,705)
Loss on disposal of a subsidiary	**461**	–
Loss on disposal of property, plant and equipment	**101**	157
Loss on written off of property, plant and equipment	**–**	971
Loss on deregistration of an associate	**–**	635
Release of deferred income	**(715)**	(715)
Release of prepaid lease payments	**–**	434
Share-based payments	**–**	11
Share of result of an associate	**–**	280
Operating cash flows before movements in working capital	**410,259**	414,348
Increase in inventories	**(199,665)**	(670,484)
Increase in trade and other receivables	**(110,633)**	(163,232)
Decrease in trade and other payables	**(227,618)**	(88,028)
Decrease in restricted bank balances	**136,707**	177,459
Increase in contract liabilities	**33,590**	20,771
Cash generated from (used in) operations	**42,640**	(309,166)
Income tax paid	**(44,776)**	(84,911)
NET CASH USED IN OPERATING ACTIVITIES	**(2,136)**	(394,077)

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	**(110,892)**	(138,046)
Deposits paid on acquisition of intangible assets	**(24,302)**	–
Purchase of property, plant and equipment	**(6,569)**	(7,243)
Deposits paid on acquisition of property, plant and equipment	**(1,763)**	–
Repayment of loan receivables	**51,000**	39,000
Interest received	**2,707**	8,708
Proceeds from disposal of a subsidiary	**2,000**	–
Loan interest income received	**940**	–
Proceeds from disposals of property, plant and equipment	**25**	290
Proceeds from deregistration of an associate	**–**	1,639
Purchase of intangible assets	**–**	(549)
NET CASH USED IN INVESTING ACTIVITIES	**(86,854)**	(96,201)
FINANCING ACTIVITIES		
Proceeds from issue of shares by CSMall Cayman to a strategic investor	**136,780**	–
New bank borrowings raised	**210,000**	60,000
Proceeds from issue of shares upon exercise of share options	**2,796**	768
Repayment of bank borrowings	**(160,000)**	(110,000)
Capital reduction of Tongsheng	**(10,000)**	–
Interest paid	**(9,482)**	(5,492)
Repayment of lease liabilities	**(7,748)**	–
Transaction costs directly attributable to the issue of new shares by CSMall Cayman	**(2,119)**	–
Repayment to third parties	**(1,650)**	–
Repayment to 上海華通白銀國際交易中心 ("**Huatong International**")	**(150)**	(840)
Proceeds from issue of shares of a subsidiary arising from spin-off	**–**	355,795
Advances from third parties	**–**	22,631
Dividends paid	**–**	(3,834)
NET CASH FROM FINANCING ACTIVITIES	**158,427**	319,028
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**69,437**	(171,250)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**541,242**	712,492
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**610,679**	541,242

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL

China Silver Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 July 2012 and its shares are listed on the Stock Exchange since 28 December 2012.

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 is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are (i) the manufacture and sale of silver ingots, palladium and other non-ferrous metals in the PRC; (ii) design and sale of gold, silver and jewellery products in the PRC; and (iii) provide professional electronic platform, related services for trading of silver ingots.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also 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.

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

New and amendments to IFRSs that are mandatorily effective for the current year (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. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. 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

iii. 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.

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

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

IFRS 16 "Leases" ("IFRS 16") (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 40)	18,751
Lease liabilities discounted at relevant incremental borrowing rates	17,969
Less: Practical expedient – leases with lease terms ending within 12 months from the date of initial application	(5,648)
Recognition exemption – short-term leases	(1,941)
Lease liabilities as at 1 January 2019	10,380
Analysed as	
Current	6,250
Non-current	4,130
	10,380

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	10,380
Reclassified from prepaid lease payments *(Note i)*	17,698
	28,078
By class:	
Leasehold land	17,698
Office premises, showrooms, warehouses and retail shops	10,380
	28,078

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

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

IFRS 16 "Leases" ("IFRS 16") (Continued)

Notes:

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

(ii) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied 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	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	RMB'000	RMB'000
Non-current Assets			
Right-of-use assets	–	28,078	28,078
Prepaid lease payments – non-current portion	17,266	(17,266)	–
Current Assets			
Prepaid lease payments – current portion	432	(432)	–
Current Liabilities			
Lease liabilities – current portion	–	(6,250)	(6,250)
Non-current Liabilities			
Lease liabilities – non-current portion	–	(4,130)	(4,130)

Note: For the purpose of reporting cash flows 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.

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.

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.

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)

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, except for certain financial instruments that are measured at fair value at the end of each 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 accordance 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".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units).

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 or 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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.

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.

Leases

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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.

Short-term leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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

Refundable rental deposits

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

Lease liabilities

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

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)

Leases (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, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets-research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Share options granted to directors and employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to directors and employees (Continued)

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

Share options granted to a consultant

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

Shares granted to employees by a subsidiary

At the time when the shares are granted to employees by a subsidiary that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss and the Group accounts for the dilution as an equity transaction if the shares granted do not constitute a loss of the Group's control over that subsidiary.

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 (loss) 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. In addition, deferred tax liabilities are not recognised if the temporary difference arise from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Deferred tax liabilities and assets 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 taxes 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, 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.

Plants in the course of construction for production are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments " (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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, corporate 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 of property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (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 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 a 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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a 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 a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 purchase 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 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 (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting 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 through profit or loss ("**FVTPL**"), except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, loan and interest receivables, refundable rental deposits, restricted bank balances 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. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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 balance 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;
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

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 at amortised cost

Financial liabilities including trade and other payables, trade loans and bank borrowings 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Control over CSMall Cayman and its subsidiaries

Note 44(iii) describes that CSMall Cayman and its subsidiaries are accounted for as subsidiaries of the Group although the Group has only 40.39% (2018: 47.46%) ownership interest and voting rights in CSMall Cayman. CSMall Cayman is listed on the Stock Exchange. The Group has 40.39% (2018: 47.46%) ownership of CSMall Cayman and is the single largest shareholder of CSMall Cayman. The remaining 59.61% (2018: 52.54%) of shareholdings are mainly attributed by an aggregate 3.9% of shareholdings owned by certain directors of CSMall Cayman, 13.41% of shareholdings owned by the trustee of an existing employee share scheme of CSMall Cayman and public shareholders that are either employees of the Group or parties unrelated to the Group. Details of CSMall Cayman are set out in Note 44(iii).

The directors of the Company assessed whether or not the Group has control over CSMall Cayman based on whether the Group has the practical ability to direct the relevant activities of CSMall Cayman unilaterally. In making the judgement, the directors of the Company considered the Group's absolute size of holding in CSMall Cayman, the relative size of and dispersion of the shareholdings owned by the other shareholders, voting patterns at previous shareholders' meetings and the relevant voting arrangements with certain shareholders of CSMall Cayman. As at 31 December 2019, the percentage of the voting rights held by the Company and other parties in the concerted group over CSMall Cayman is 48.05% (2018: 48.45%). After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of CSMall Cayman and therefore the Group has control over CSMall Cayman.

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

Critical judgements in applying accounting policies (Continued)

Recognition of restricted bank balances and deposits received

The Group maintains segregated trust bank accounts with authorised institutions to hold clients' monies in the course of trading in the silver exchange platform. The directors of the Company have assessed and considered that the Group obtains benefit of income from holding the clients' monies as it entitles all relevant interest income from the restricted bank balances. The Group also bears the risk of holding the clients' monies as it is liable for any loss or misappropriation of clients' monies. Accordingly, the Group has recognised the clients' monies held in the banks as restricted bank balances under current assets with a corresponding deposits received included in other payables under current liabilities in the consolidated statement of financial position. Whether such restricted bank balances and the corresponding deposits received should be recognised on the consolidated statement of financial position and presented on a gross basis is a matter of judgement by the Group's management. As at 31 December 2019, the carrying amount of restricted bank balances and corresponding deposits received included in other payables were both RMB25,345,000 (2018: RMB162,052,000).

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.

Impairment assessment on goodwill, intangible assets and other non-current asset allocated to Silver Exchange segment (as defined in Note 6)

In determining whether goodwill, intangible assets and other non-current asset allocated to Silver Exchange segment, which is an individual cash-generating unit ("CGU") of the Group, are impaired requires an estimation of value in use of the CGU to which these assets have been allocated.

The value in use was determined by the management based on the cash flows of this CGU discounted to its present value with the involvement of an independent valuer appointed by the Group. This required the use of key assumptions including the estimation of cash inflows/outflows, terminal growth rate and discount rate applied. Where the expected future cash flows arising from the relevant CGU differ from the original estimation, additional impairment loss may arise.

As at 31 December 2019, the carrying amount of goodwill (Note 19) was fully impaired and the carrying amounts of intangible assets and a deposit paid for acquisition of intangible assets under non-current asset relating to Silver Exchange segment were RMB83,248,000 (2018: RMB95,707,000) (Note 20) and RMB15,886,000 (2018: Nil) (Note 23) respectively, after taking into account the impairment losses of RMB330,262,000 (2018: RMB77,059,000), RMB1,680,000 (2018: Nil) and RMB321,000 (2018: Nil) that have been recognised in profit or loss respectively. Details of the impairment of goodwill, intangible assets and deposit paid for acquisition of intangible assets are disclosed in Note 19.

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

Key sources of estimation uncertainty (Continued)

Valuation of 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 any potential allowance for inventories. The management estimates the net realisable value of inventories based primarily on the current market conditions and subsequent selling price of products. The Group makes allowance for inventories 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 was RMB2,306,228,000 (2018: RMB2,107,302,000), without any write-down being recognised.

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the trade receivables and the Group's ECL are disclosed in Notes 25 and 39, respectively.

Estimated useful life of property, plant and equipment

Property, plant and equipment are depreciated over their useful economic lives. The assessment of estimated useful lives is a matter of judgement based on the experience of the Group's management, taking into account factors such as technological progress, conditions of the plant and machinery and changes in market demand. Useful lives are periodically reviewed for continued appropriateness. As at 31 December 2019, the carrying amount of property, plant and equipment was RMB142,994,000 (2018: RMB156,752,000). Details of the useful lives of the property, plant and equipment are disclosed in Note 16.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments By types of goods and services	2019 RMB'000	2018 RMB'000
Manufacturing segment		
– Sales of silver ingots	**361,605**	219,847
– Sales of palladium	**1,468,641**	–
– Sales of lead ingots	**494,116**	493,111
– Sales of zinc oxide	**69,120**	159,630
– Sales of other metal by-products	**236,205**	277,079
	2,629,687	1,149,667
New Jewellery Retail segment		
– Sales of gold products, except for first-hand gold bars	**639,477**	1,322,595
– Sales of silver products	**490,762**	694,108
– Sales of gem-set and other jewellery products	**115,631**	196,150
– Sales of first-hand gold bars	**3,048**	255,778
– Sales of diamonds	**–**	28,230
	1,248,918	2,496,861
Silver Exchange segment		
– Commission income	**48,492**	104,688
Total	**3,927,097**	3,751,216
By geographical markets		
The PRC	**3,927,097**	3,722,896
Hong Kong	**–**	28,320
Total	**3,927,097**	3,751,216

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

Manufacturing segment

The Group sells silver ingots, palladium and other non-ferrous metals directly to customers.

During the second half year of the current year, the Group recognised revenue of RMB1,468,641,000 (2018:Nil) from sales of palladium. The significant increase in sales of palladium was supported by the increasing market demand of palladium and hence the rising trend of its market price.

Revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the customer's specific location. Following the delivery, the customer has the primary responsibility in selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 days upon delivery date.

Under the Group's standard contract terms, customers have a right to exchange for dissimilar products within 10 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and corresponding adjustment to cost of sales.

New Jewellery Retail segment

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

The Group sells gold products, except for first-hand gold bars, silver products, gem-set and other jewellery products to (i) the wholesale market 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.

5. REVENUE (Continued)

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

New Jewellery Retail segment (Continued)

– *Sales of first-hand gold bars*

The Group sells first-hand gold bars with tailor-made specifications 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.

Silver Exchange segment

The Group operates a professional electronic platform for its customer to trade silver ingots. Commission income is recognised when the transaction made by the customer on the platform is completed.

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

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

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

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

(iii) providing professional electronic platform, related services for trading of silver ingots ("**Silver Exchange segment**").

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

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 31 December 2019

	Manufacturing segment RMB'000	New Jewellery Retail segment RMB'000	Silver Exchange segment RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue						
External sales	2,629,687	1,248,918	48,492	3,927,097	–	3,927,097
Inter-segment sales*	317,909	70	–	317,979	(317,979)	–
Total segment revenue	2,947,596	1,248,988	48,492	4,245,076	(317,979)	3,927,097
Results						
Segment results	245,893	31,998	(303,226)	(25,335)		(25,335)
Non-segment items						
Unallocated income, expenses, gains and losses						(23,705)
Reversal of impairment loss on loan and interest receivables						2,743
Finance costs						(9,482)
Loss before tax						(55,779)

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2018

	Manufacturing segment RMB'000	New Jewellery Retail segment RMB'000	Silver Exchange segment RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue						
External sales	1,149,667	2,496,861	104,688	3,751,216	–	3,751,216
Inter-segment sales*	407,448	988	–	408,436	(408,436)	–
Total segment revenue	1,557,115	2,497,849	104,688	4,159,652	(408,436)	3,751,216
Results						
Segment results	163,698	180,252	(10,154)	333,796		333,796
Non-segment items						
Unallocated income, expenses, gains and losses						(27,928)
Impairment loss on loan and interest receivables, net of reversal						(1,843)
Finance costs						(5,492)
Share of result of an associate						(280)
Profit before tax						298,253

* Inter-segment sales are carried out on terms agreed between counterparties.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent profit earned (loss incurred) by each segment, without allocation of central administrative expenses, certain other income, certain other gains and losses, certain impairment loss, net of reversal, certain other expenses, finance costs and share of result of an associate. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

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

6. SEGMENT INFORMATION (Continued)

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	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**3,927,097**	3,722,986	**527,520**	743,153
Hong Kong	**–**	28,230	**3,989**	177
	3,927,097	3,751,216	**531,509**	743,330

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

Information about major customers

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

	2019	2018
	RMB'000	RMB'000
Customer A[1]	**774,341**	–
Customer B[2]	**392,000**	445,656

Notes:

1 Revenue from sales of palladium in Manufacturing segment.

2 Revenue from sales of lead ingots in Manufacturing segment.

7a. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Bank interest income	**2,707**	4,003
Government grants (Note)	**10,718**	1,105
Loan interest income	**734**	4,705
Release of deferred income (Note 33)	**715**	715
Others	**1,815**	203
	16,689	10,731

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.

7b. OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Net exchange (loss) gain	**(1,942)**	894
Loss on written off of property, plant and equipment	–	(971)
Loss on disposal of property, plant and equipment	**(101)**	(157)
Loss on deregistration of an associate	–	(635)
Loss on disposal of a subsidiary (Note)	**(461)**	–
Impairment loss on deposits paid on acquisition of intangible assets	**(321)**	–
Impairment loss on intangible assets	**(1,680)**	–
	(4,505)	(869)

Note: The amount represented loss on disposal of an indirect wholly owned subsidiary, 上海找銀網絡科技有限公司 ("**上海找銀**") previously held by the Group. 上海找銀 was disposed of to a related party on 16 May 2019 at a cash consideration of RMB2,000,000 and did not have significant contribution to the results and cash flows of the Group during the current year nor does it have significant assets and liabilities as at the date of disposal.

8. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses mainly represent expenses for specific research, staff costs and technical consultation fees incurred for the enhancement of production techniques.

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on bank borrowings	**9,078**	5,492
Interest on lease liabilities	**404**	–
	9,482	5,492

10. 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	**8,551**	2,006
Impairment loss (reversed) recognised in respect of loan and interest receivables	**(2,743)**	1,843
	5,808	3,849

Details of impairment assessment are set out in Note 39.

11. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
PRC Enterprise Income Tax ("**EIT**")		
– current year	67,329	88,365
– overprovision in respect of prior years	(709)	(7,107)
	66,620	81,258
Deferred taxation – current year (Note 21)	(5,298)	(3,346)
	61,322	77,912

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 the following two of the major subsidiaries of the Company. 江西龍天勇有色金屬有限公司 ("**Jiangxi Longtianyong**") was recognised as a High and New Technology Enterprise by the PRC tax authorities such that it is entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2019 to 2021 (2018: 2016 to 2018) and was subject to review once every three years. Another major subsidiary, 深圳雲鵬軟件開發有限公司 ("**Shenzhen Yunpeng**"), 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, Shenzhen Yunpeng was subject to PRC EIT at the rate of 12.5%.

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

	2019 RMB'000	2018 RMB'000
(Loss) profit before tax	(55,779)	298,253
Tax at the domestic income tax rate of 25% (2018: 25%)	(13,945)	74,563
Tax effect of expenses not deductible for tax purpose	108,026	37,013
Tax effect of income not taxable for tax purpose	(17,589)	(15,890)
Tax effect of temporary differences not recognised	1,452	–
Tax effect of share of result of an associate	–	70
Tax effect of concessionary tax rate granted	(18,351)	(16,352)
Tax effect of utilisation of tax losses previously not recognised	(576)	(17)
Tax effect of tax losses not recognised	3,014	5,632
Overprovision in respect of prior years	(709)	(7,107)
Income tax expense for the year	61,322	77,912

Details of deferred tax recognised are set out in Note 21.

12. (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)	**4,863**	5,526
Other staff costs:		
– salaries and other allowances	**74,300**	90,029
– retirement benefit scheme contributions	**17,313**	21,034
– share-based payments, excluding those of directors and a consultant (Note 44(iii))	**83,008**	10
Total staff costs	**179,484**	116,599
Auditor's remuneration	**4,099**	3,403
Amortisation of intangible assets	**10,860**	12,957
Depreciation of property, plant and equipment	**19,988**	23,673
Depreciation of right-of-use assets	**8,223**	–
Cost of inventories recognised as expenses	**3,393,081**	3,151,655
Release of prepaid lease payments	**–**	434
Expenses on short-term leases in respect of retail shops	**9,517**	–
Operating lease rentals in respect of office premises, showrooms, warehouse and retail shops	**–**	19,529
Share-based payment expenses in respect of consultancy services	**–**	1

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

Directors' and Chief Executive's emoluments

	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2019				
Executive directors				
Mr. Chen Wantian*	–	1,190	15	1,205
Mr. Song Guosheng	–	1,754	15	1,769
Mr. Liu Jiandong**	–	674	9	683
Mr. Chen Guoyu**	–	678	–	678
Mr. Sung Kin Man*	–	–	–	–
	–	4,296	39	4,335

* On 1 January 2019, Mr. Chen Wantian has taken over the position of the chief executive officer of the Company, following the resignation of Mr. Sung Kin Man.

** On 17 June 2019, Mr. Chen Guoyu resigned and Mr. Liu Jiandong was appointed as an executive director of the Company.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2019				
Independent non-executive directors				
Dr. Li Haitao	176	–	–	176
Dr. Zeng Yilong	176	–	–	176
Mr. Song Hongbing	176	–	–	176
Mr. Guo Bin*	–	–	–	–
	528	–	–	528
Total	528	4,296	39	4,863

* On 1 January 2019, Mr. Guo Bin resigned as an independent non-executive director of the Company.

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

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

Directors' and Chief Executive's emoluments (Continued)

	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2018				
Executive directors				
Mr. Chen Wantian	–	935	6	941
Mr. Song Guosheng	–	800	6	806
Mr. Chen Guoyu	–	649	–	649
Mr. Sung Kin Man*	–	2,523	15	2,538
	–	4,907	27	4,934

* Mr. Sung Kin Man was the executive director and the chief executive officer of the Company for the year ended 31 December 2018 before his resignation from both positions on 1 January 2019.

The executive directors' emoluments shown above are for their services in connection with the management of the affairs of the Company and the Group.

	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2018				
Independent non-executive directors				
Dr. Li Haitao	169	–	–	169
Dr. Zeng Yilong	169	–	–	169
Mr. Song Hongbing	169	–	–	169
Mr. Guo Bin#	85	–	–	85
	592	–	–	592
Total	592	4,907	27	5,526

\# Mr. Guo Bin resigned as an independent non-executive director of the Company since 1 January 2019.

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

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

Employees

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

	2019 RMB'000	2018 RMB'000
Salaries and allowances	853	6,456
Share-based payments	31,219	2
Retirement benefits scheme contributions	158	60
	32,230	6,518

Their emoluments were within the following bands:

	2019 Number of employees	2018 Number of employees
HK$1,000,001 to HK$1,500,000	–	2
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	–	1
HK$4,000,001 to HK$4,500,000	1	–
HK$7,500,001 to HK$8,000,000	4	–
	5	4

Certain non-director and non-chief executive highest paid employees were granted shares, in respect of their services to the Group under the New Employee Scheme of CSMall Cayman during the year ended 31 December 2019, details of which are set out in Note 44(iii).

No emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during both years. None of the directors of the Company waived or agreed to waive any emolument during both years.

14. 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.

15. (LOSS) EARNINGS PER SHARE

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

	2019 **RMB'000**	2018 RMB'000
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(116,195)**	148,950

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share (in thousand)	**1,625,383**	1,624,179
Effects of dilutive potential ordinary shares:		
– Share options of the Company (in thousand)	**–**	2,099
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share (in thousand)	**1,625,383**	1,626,278

For the year ended 31 December 2019, the computation of diluted loss per share does not assume the exercise of the Company's outstanding options because the effect of exercise of these options was anti-dilutive.

In calculating the diluted earnings per share for the year ended 31 December 2018, the potential issue of shares arising from certain share options of the Company would decrease the earnings per share and has therefore been taken into account as they have a dilutive effect.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2018	12,294	142,066	112,557	14,245	14,231	–	295,393
Additions	5,573	84	4,212	1,674	2,620	–	14,163
Disposals	–	–	(258)	–	(1,353)	–	(1,611)
Written-off	–	–	(436)	(1,857)	–	–	(2,293)
At 31 December 2018	17,867	142,150	116,075	14,062	15,498	–	305,652
Additions	**–**	**–**	**4,627**	**878**	**90**	**974**	**6,569**
Disposals	**–**	**–**	**(1,318)**	**(9)**	**–**	**–**	**(1,327)**
Eliminated on disposal of a subsidiary	**–**	**–**	**–**	**(265)**	**–**	**–**	**(265)**
At 31 December 2019	17,867	142,150	**119,384**	**14,666**	**15,588**	974	**310,629**
DEPRECIATION							
At 1 January 2018	5,421	46,731	60,019	8,278	7,264	–	127,713
Provided for the year	2,769	6,141	9,898	2,795	2,070	–	23,673
Disposals	–	–	(237)	–	(927)	–	(1,164)
Written-off	–	–	(28)	(1,294)	–	–	(1,322)
At 31 December 2018	8,190	52,872	69,652	9,779	8,407	–	148,900
Provided for the year	**2,783**	**6,143**	**7,187**	**2,027**	**1,848**	**–**	**19,988**
Disposals	**–**	**–**	**(1,193)**	**(8)**	**–**	**–**	**(1,201)**
Eliminated on disposal of a subsidiary	**–**	**–**	**–**	**(52)**	**–**	**–**	**(52)**
At 31 December 2019	**10,973**	**59,015**	**75,646**	**11,746**	**10,255**	**–**	**167,635**
CARRYING VALUES							
At 31 December 2019	**6,894**	**83,135**	**43,738**	**2,920**	**5,333**	**974**	**142,994**
At 31 December 2018	9,677	89,278	46,423	4,283	7,091	–	156,752

The Group's buildings are erected on land held under medium-term land use rights in the PRC.

Other than construction in progress, the above items of property, plant and equipment, after taking into account their estimated residual values, are depreciated on a straight-line method, at the following useful lives or at the following rates per annum:

Leasehold improvements	5 year or the term of the relevant land lease, whichever is shorter
Buildings	20 years or the term of the relevant land lease, whichever is shorter
Plant and machinery	10%
Office equipment	20%
Motor vehicles	20%

The Group has pledged buildings with a carrying value of approximately RMB15,432,000 (31 December 2018: RMB53,158,000) to secure general banking facilities set out in Note 37.

As at 31 December 2019, machinery with a carrying amount of RMB17,377,000 was pledged to secure for a loan granted to an independent third party. Subsequently in February 2020, the pledge is released as the loan has been fully repaid upon expiry of the loan agreement.

17. RIGHT-OF-USE ASSETS

	Leased properties (Note i) RMB'000	Leasehold land (Notes ii and iii) RMB$'000	Total RMB'000
As at 1 January 2019			
Carrying amount	10,380	17,698	28,078
As at 31 December 2019			
Carrying amount	**8,107**	**17,262**	**25,369**
For the year ended 31 December 2019			
Depreciation charge	**7,787**	**436**	**8,223**
Expenses relating			
– short-term leases	**4,447**	**–**	**4,447**
– other leases with lease terms ending within 12 months of the date of initial application of IFRS 16	**5,070**	**–**	**5,070**
Total cash outflow for leases	**17,669**	**–**	**17,669**
Additions to right-of-use assets	**5,514**	**–**	**5,514**

Notes:

(i) The Group leases office premises, showrooms, warehouses and retail shops for its operations. Majority of lease contracts are entered into for lease term 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 term 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.

(ii) During the year ended 31 December 2019, the Group has pledged leasehold land (2018: prepaid lease payment) with a carrying value of RMB17,262,000 (2018: RMB17,698,000) to secure general banking facilities granted to the Group set out in Note 37. The Group reclassified the prepaid lease payments of RMB17,698,000 to right-of-use assets at 1 January 2019 upon application of IFRS 16.

(iii) In addition, the Group owns office buildings and several industrial buildings where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably. Respective building components of these owned properties are classified under property, plant and equipment set out in Note 16.

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 expenses as disclosed above.

18. PREPAID LEASE PAYMENTS

	2018
	RMB'000
Analysed for reporting purposes as:	
Non-current asset	17,266
Current asset	432
	17,698

The Group has pledged prepaid lease payments – land use rights with a carrying value of RMB17,698,000 as at 31 December 2018 to secure general banking facilities granted to the Group set out in Note 37.

The Group reclassified the prepaid lease payments of RMB17,698,000 to right-of-use assets at 1 January 2019 upon application of IFRS 16.

19. GOODWILL

	RMB'000
COST	
At 1 January 2018, 31 December 2018 and 31 December 2019	**407,321**
IMPAIRMENT	
At 1 January 2018	–
Impairment loss recognised in the year	77,059
At 31 December 2018	**77,059**
Impairment loss recognised in the year	**330,262**
At 31 December 2019	**407,321**
CARRYING VALUES	
At 31 December 2019	**–**
At 31 December 2018	330,262

For the purposes of impairment testing, goodwill with carrying amount of nil (2018: carrying amount of RMB330,262,000, net of impairment loss of RMB77,059,000), trademarks with indefinite useful lives with carrying amount of RMB33,993,000, net of impairment loss of RMB686,000 (2018: carrying amount of RMB34,679,000), customer relationship with definite useful life with carrying amount of RMB46,729,000, net of impairment loss of RMB943,000 (2018: carrying amount of RMB55,508,000) arising on business combinations and certain system software with carrying amount of RMB2,526,000, net of impairment loss of RMB51,000 (2018: carrying amount of RMB3,056,000) as set out in Note 20 and a deposit paid for acquisition of intangible assets with carrying amount of RMB15,886,000, net of impairment loss of RMB321,000 (2018:Nil) under non-current assets as set out in Note 23 have been allocated, as at 31 December 2019, to a cash-generating unit, Silver Exchange segment.

19. GOODWILL (Continued)

The recoverable amount of the cash-generating unit (i.e. the CGU) has been determined based on a value in use calculation performed by an independent valuer appointed by the Group.

The value in use calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period using a pre-tax discount rate of 21.0% (2018: 21.2%). The cash flows beyond the 5-year period are extrapolated using a steady growth rate of 2% (2018: 3%). This growth rate is based on the global economic growth rate and is the directors' best estimate on the average growth rate of this specific industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and operating expenses, such estimation is based on the past performance and management's expectations for the market development.

During the year ended 31 December 2019, due to continuing decrease of transaction volume and number of members under the less favourable domestic policy in relation to the silver exchange platform, goodwill related to the cash-generating unit amounting to RMB330,262,000 has been fully impaired (carrying amount as at 31 December 2018: RMB330,262,000) and an additional impairment amounting to RMB2,000,000 (2018: nil) has been allocated on a pro rata basis to trademarks, customer relationship, system software under intangible assets and deposit paid for acquisition of software for silver exchange platform as set out in Notes 20 and 23 respectively. The carrying amounts of these assets are not reduced below the highest of its fair value less costs of disposal, its value in use and zero. The recoverable amount of the cash-generating unit amounted to RMB99,134,000 (2018: RMB425,969,000) as at 31 December 2019.

20. INTANGIBLE ASSETS

	Patent RMB'000 (Note i)	System software RMB'000 (Note ii)	Customer relationship RMB'000 (Note iii)	Trademarks RMB'000 (Note iv)	Licence RMB'000 (Note v)	Total RMB'000
COST						
At 1 January 2018	6,000	28,279	78,363	34,679	1,800	149,121
Additions	–	549	–	–	–	549
At 31 December 2018 and 2019	**6,000**	**28,828**	**78,363**	**34,679**	**1,800**	**149,670**
AMORTISATION AND IMPAIRMENT						
At 1 January 2018	2,141	18,549	15,019	–	–	35,709
Provided for the year	362	4,759	7,836	–	–	12,957
At 31 December 2018	2,503	23,308	22,855	–	–	48,666
Provided for the year	**362**	**2,662**	**7,836**	**–**	**–**	**10,860**
Impairment loss recognised	**–**	**51**	**943**	**686**	**–**	**1,680**
At 31 December 2019	**2,865**	**26,021**	**31,634**	**686**	**–**	**61,206**
CARRYING VALUES						
At 31 December 2019	**3,135**	**2,807**	**46,729**	**33,993**	**1,800**	**88,464**
At 31 December 2018	3,497	5,520	55,508	34,679	1,800	101,004

20. INTANGIBLE ASSETS (Continued)

Notes:

(i) The intangible asset represents a patent acquired for certain production techniques with a registered life up to August 2028. The intangible asset is amortised on a straight-line basis over the remaining useful life, i.e. 9.7 years.

(ii) System software represents software acquired for online trading and exchange platform and is stated at cost less accumulated amortisation and any accumulated impairment losses. The system software is amortised on a straight-line basis over a period of 2 to 10 years.

For the purpose of impairment testing, certain amounts of system software with definite useful life set out above have been allocated to the individual CGU, Silver Exchange segment as detailed in Note 19.

(iii) Customer relationship associated with the provision of professional electronic silver trading platform services is purchased as part of a business combination in 2016. The fair value at the date of acquisition was determined by the external valuer using business valuation technique which involves estimation of profits attributable to the customer relationships and discount rate to derive the value. Customer relationship is amortised on a straight-line basis over its estimated useful life of 10 years.

For the purpose of impairment testing, customer relationship with definite useful life set out above has been allocated to the individual CGU, Silver Exchange segment as detailed in Note 19.

(iv) Trademarks acquired as part of a business combination under Silver Exchange segment have a legal life of 10 years and are renewable upon expiry. The fair value at the date of acquisition was determined by the external valuer by discounting the future after-tax royalty attributable to the trademarks to present value using a discount rate. The directors of the Company are of the opinion that the Group will renew the trademarks continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflow for the Group.

As a result, the trademarks are considered by the directors of the Company as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, trademarks with indefinite useful life set out above have been allocated to the individual CGU, Silver Exchange segment as detailed in Note 19.

(v) The directors of the Company are of the opinion that the Group will renew the license acquired through acquisition of a subsidiary in prior year continuously and has the ability to do so at minimal cost. Various studies including market and competitive and environment trends have been performed by management of the Group, which supports that the license has no foreseeable limit to the period over which it is expected to generate net cash inflow for the Group.

As a result, the license is considered by the directors of the Company as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The license will not be amortised until their useful lives are determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired, to the extent that the carrying amount of the license exceeds its recoverable amount. The recoverable amount of the license has been determined based on the higher of value in use and fair value less cost to disposal. The management determines the recoverable amounts using the recent market transaction prices of the license which far exceeds the carrying amount of the license for both accounting years. The management therefore determines that during the years ended 31 December 2019 and 2018, there is no impairment on the license and any reasonably possible change in the market transaction price would not cause the aggregate carrying amount of the license to exceed its recoverable amount.

21. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 **RMB'000**	2018 RMB'000
Deferred tax assets	**6,756**	3,419
Deferred tax liabilities	**(20,586)**	(22,547)
	(13,830)	(19,128)

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Deferred income **RMB'000**	**Unrealised profit** **RMB'000**	**ECL provision** **RMB'000**	**Fair value adjustments on business combination** **RMB'000**	**Total** **RMB'000**
At 1 January 2018	2,032	–	–	(24,506)	(22,474)
(Charged) credited to profit or loss	(440)	1,140	687	1,959	3,346
At 31 December 2018	1,592	1,140	687	(22,547)	(19,128)
(Charged) credited to profit or loss	**(177)**	**4,203**	**(687)**	**1,959**	**5,298**
At 31 December 2019	**1,415**	**5,343**	**–**	**(20,588)**	**(13,830)**

At the end of the reporting period, the Group has unused tax losses of RMB25,635,000 (2018: RMB28,349,000) available for offset against future profits that 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 stream.

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 from 1 January 2008 onwards. 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 approximately RMB2,099.3 million as at 31 December 2019 (2018: RMB1,761.7 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Unlisted equity interest (Note)	**8,963**	8,963

Note: The above unlisted equity investment represent the Group's equity interest in Huatong International established in the PRC. The principal activities of Huatong International is the provision of trading platform and related supportive service for trading of precious metals. The directors of the Company have elected to designate this investments in equity instrument as at FVTOCI as this investment is not held for trading and not expected to be sold in the foreseeable future.

23. 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**	138,046
Deposits paid on acquisition of intangible assets (Note ii)	**23,981**	–
Deposits paid on acquisition of property, plant and equipment (Note iii)	**1,763**	–
	274,682	138,046

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 RMB10,892,000 (2018: RMB5,546,000) 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 is disclosed as a capital commitment in Note 41.

ii. During the year ended 31 December 2019, the Group paid deposits of RMB16,207,000 to acquire certain system software for online exchange platform under Silver Exchange segment. An impairment loss of RMB321,000 has been recognised as a result of the impairment assessment on Silver Exchange segment as detailed in Note 19.

The unsettled amount as at 31 December 2019 is disclosed as a capital commitments in Note 41.

iii. The amount represents deposits paid by the Group in relation with the acquisition of plant and machinery under New Jewellery segment. The unsettled amount is disclosed as a capital commitment in Note 41.

24. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials (Note)	**1,668,258**	1,505,537
Work in progress	**49,890**	50,850
Finished goods	**588,080**	550,915
	2,306,228	2,107,302

Note: As at 31 December 2019, the carrying amounts of raw materials aged less than 1 year and over 1 year are RMB774,234,000 (2018:RMB1,192,162,000) and RMB894,024,000 (2018:RMB313,375,000), respectively.

The Group has pledged inventories with a carrying value of RMB172,782,000 at 31 December 2019 (2018: Nil) to secure general banking facilities granted to the Group as set out in Note 37.

25. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables for contracts with customers	**375,025**	240,942
Less: allowance for credit loss	**(10,557)**	(2,006)
	364,468	238,936
Loan and interest receivables (Note i)	**–**	48,463
Deposits and prepayments	**63,499**	107,396
Value-added tax ("**VAT**") recoverable	**23,058**	29,798
VAT rebate receivable (Note ii)	**39,160**	15,570
	490,185	440,163

Notes:

(i) Amounts represented unsecured fixed-rate loan receivables carrying interest at 0.6% per month which was lent by Tongsheng with its principal activity as money lending. All the loan receivables were either repayable on demand or within one year. At 31 December 2018, included in the carrying amount of loan receivables was accumulated impairment loss of RMB2,743,000. During the year, the amount of loan receivables of RMB51,000,000 was fully settled and the accumulated impairment loss of RMB2,743,000 provided in prior year was fully reversed during the current year (see Note 10).

(ii) Pursuant to the Notice on Issuing the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2015] No. 78), Jiangxi Longtianyong, a subsidiary of the Group, utilises recycled materials in the course of production and is therefore subject to a preferential policy of an immediate VAT refund of 30%.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB43,002,000.

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

The 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 RMB'000	2018 RMB'000
0 – 30 days	**190,280**	185,245
31 – 60 days	**43,712**	12,552
61 – 90 days	**4,594**	13,713
Over 90 days	**125,882**	27,426
	364,468	238,936

25. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2019, included in the Group's trade receivables, net of allowance of credit loss, were debtors with an aggregate carrying amount of RMB218,589,000 (2018: RMB54,009,000) which were past due as at the reporting date. Out of the past due balances, RMB94,475,000 (2018: RMB13,286,000) 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 receivables, loan and interest receivables and refundable deposits are set out in Note 39.

26. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

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

Bank balances and cash of the Group comprise cash and short-term bank deposits with maturity of three months or less. The restricted bank balances and bank balances carry interest at prevailing market rates as follows:

	2019	2018
Range of interest rates per annum		
Restricted bank balances and bank balances	**0.001%-0.350%**	0.001%-0.350%

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

	2019 **RMB'000**	2018 RMB'000
United States dollar	**3**	637
Hong Kong dollar	**1,237**	1,453
	1,240	2,090

27. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**80,115**	242,467
Other payables and accrued expenses	**70,844**	67,541
Deposits received for using the silver exchange platform	**25,345**	162,052
Amount due to Huatong International (Note)	**19,456**	19,606
Value-added tax and other tax payables	**82,503**	40,535
Customer receipts in advance	**5,970**	2,966
	284,233	535,167

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

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	**50,482**	121,069
31 – 60 days	**–**	71,387
61 – 90 days	**–**	49,684
Over 90 days	**29,633**	327
	80,115	242,467

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

28. 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 loans 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.

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.

In addition, the trade loans were secured by personal guarantees executed by Mr. Chen Wantian (a director of the Company) and Mr. Chen He (a director of the CSMall Cayman) and their respective spouses.

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

29. LEASE LIABILITIES

	2019 RMB'000
Lease liabilities payable:	
Within one year	5,926
Within a period of more than one year but not more than two years	2,090
Within a period of more than two years but not more than five years	97
Within a period of more than five years	33
	8,146
Less: Amounts due for settlement within 12 months shown under current liabilities	(5,926)
Amounts due for settlement after 12 months shown under non-current liabilities	2,220

29. LEASE LIABILITIES (Continued)

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	**3,959**

30. CONTRACT LIABILITIES

	2019 **RMB'000**	2018 RMB'000
Amounts received in advance for sales of silver ingots, palladium, lead, non-ferrous metals and jewellery products	**57,653**	24,063

As at 1 January 2018, contract liabilities amounted to RMB3,292,000.

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 **RMB'000**	2018 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**24,063**	3,292

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

The Group receives 30% to 100% of the contract value as amounts from customers when the sale order is issued. The entire amount of contract liabilities will be recognised as revenue when the customers obtained the control of silver ingots, palladium, lead, other non-ferrous metals and jewellery products.

31. BANK BORROWINGS

	2019 RMB'000	2018 RMB'000
Secured bank borrowing carrying interest at fixed rate, repayable within one year and without a repayment on demand clause	**70,000**	60,000
Secured bank borrowing carrying interest at floating rate, repayable within one year and without a repayment on demand clause	**40,000**	–
	110,000	60,000

The effective interest rate of the Group's bank borrowings (which is also equal to contracted interest rate) during the year is as follows:

	2019	2018
Effective interest rate per annum	**6.96%**	7.2%

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

32. SHARE CAPITAL

	Number of shares	Share capital HK$'000	Share capital RMB'000
Ordinary share of HK$0.01 each:			
Authorised			
At 1 January 2018, 31 December 2018 and 31 December 2019	**3,000,000,000**	**30,000**	**24,386**
Issued			
At 1 January 2018	1,623,724,589	16,237	13,242
Exercise of share options (Note)	476,000	5	4
At 31 December 2018	1,624,200,589	16,242	13,246
Exercise of share options (Note)	**3,150,000**	**32**	**29**
At 31 December 2019	**1,627,350,589**	**16,274**	**13,275**

Note: During the year ended 31 December 2019, certain share options were exercised by holders to subscribe for 3,150,000 (2018: 476,000) shares of the Company. The share option exercise price for those options was HK$0.96 (2018: HK$1.97) per share.

33. DEFERRED INCOME

	2019	2018
	RMB'000	RMB'000
Government subsidies (Note)	**5,653**	6,368
Analysed for reporting purposes as:		
Current	**715**	715
Non-current	**4,938**	5,653
	5,653	6,368

Note: The amount represents a government subsidy of RMB10,000,000 received in prior year in respect of the Group's investment in a project for comprehensive use of scarce metal resources in the form of certain property, plant and equipment. The government subsidy has been recognised as income over the useful lives of the related assets upon the fulfilment of the conditions stated by respective authority in 2013. During the year ended 31 December 2019, an amount of RMB715,000 (2018: RMB715,000) was transferred to as other income.

34. SHARE OPTION SCHEME

(I) The Scheme

(a) The principal terms of the Company's share option scheme adopted on 5 December 2012 (the "**Scheme**") are set out below.

The Scheme was adopted pursuant to a resolution passed on 5 December 2012 for the primary purpose of providing incentives to eligible directors and employees, and will expire on 2 July 2023. Under the Scheme, the board of directors of the Company may grant options to consultants and eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by the directors of the Company and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 as consideration.

34. SHARE OPTION SCHEME (Continued)

(I) The Scheme (Continued)

(b) The number of shares in respect of which options had been granted and remained outstanding under the Scheme was 73,200,000 (2018: 82,134,000), representing 4.50% (2018: 5.06%) of the shares of the Company in issue at 31 December 2019.

The following table discloses movements of Company's options under the Scheme held by the Group's directors, employees and consultants during the current and prior years:

Date of grant	Exercise price per share HK$	Outstanding at 1.1.2019	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2019
3 July 2013	0.96	6,650,000	(3,150,000)	–	3,500,000
20 August 2014	2.20	27,000,000	–	(2,100,000)	24,900,000
2 January 2015	1.80	48,484,000	–	(3,684,000)	44,800,000
		82,134,000	(3,150,000)	(5,784,000)	73,200,000
Exercisable at 1 January 2019		82,134,000			
Exercisable at 31 December 2019					73,200,000
Weighted average exercise price		HK$1.86	HK$0.96	HK$1.95	HK$1.90

Date of grant	Exercise price per share HK$	Outstanding at 1.1.2018	Exercised during the year	Outstanding at 31.12.2018
3 July 2013	0.96	6,650,000	–	6,650,000
20 August 2014	2.20	27,000,000	–	27,000,000
2 January 2015	1.80	48,484,000	–	48,484,000
		82,134,000	–	82,134,000
Exercisable at 1 January 2018		62,534,000		
Exercisable at 31 December 2018				82,134,000
Weighted average exercise price		HK$1.86	–	HK$1.86

34. SHARE OPTION SCHEME (Continued)

(I) The Scheme (Continued)

(b) (Continued)

In respect of the share option exercised during the year, the weighted average share price at the dates of exercise was HK$1.15. No share option under the Scheme was exercised during the year ended 31 December 2018.

The 3,500,000 outstanding share options granted on 3 July 2013 with the exercise price of HK$0.96 per share are exercisable during the period from 3 July 2014 to 2 July 2023 in two batches, being:

- 3 July 2015 to 2 July 2023 (1,500,000 outstanding share options granted are exercisable)
- 3 July 2016 to 2 July 2023 (2,000,000 outstanding share options granted are exercisable)

The 24,900,000 outstanding share options granted on 20 August 2014 with the exercise price of HK$2.20 per share are exercisable during the period from 20 August 2015 to 19 August 2024 in three batches, being:

- 20 August 2015 to 19 August 2024 (7,470,000 outstanding share options granted are exercisable)
- 20 August 2016 to 19 August 2024 (7,470,000 outstanding share options granted are exercisable)
- 20 August 2017 to 19 August 2024 (9,960,000 outstanding share options granted are exercisable)

The 44,800,000 outstanding share options granted on 2 January 2015 with the exercise price of HK$1.80 per share are exercisable during the period from 2 January 2016 to 1 January 2025 in three batches, being:

- 2 January 2016 to 1 January 2025 (13,440,000 outstanding share options granted are exercisable)
- 2 January 2017 to 1 January 2025 (13,440,000 outstanding share options granted are exercisable)
- 2 January 2018 to 1 January 2025 (17,920,000 outstanding share options granted are exercisable)

The closing prices of the Company's shares immediately before 3 July 2013, 20 August 2014 and 2 January 2015, the dates of grant, were HK$0.96, HK$2.20 and HK$1.80 respectively.

The following table discloses movements of the Company's share options held by directors, employees and a consultant under the Scheme during the current and prior years:

Eligible participants	Outstanding at 1.1.2019	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2019
Directors	6,200,000	–	–	6,200,000
Employees	70,934,000	(3,150,000)	(5,784,000)	62,000,000
Consultant	5,000,000	–	–	5,000,000
	82,134,000	(3,150,000)	(5,784,000)	73,200,000
Exercisable at 1 January 2019	82,134,000			
Exercisable at 31 December 2019				73,200,000

34. SHARE OPTION SCHEME (Continued)

(I) The Scheme (Continued)

(b) (Continued)

Eligible participants	Outstanding at 1.1.2018	Exercised during the year	Outstanding at 31.12.2018
Directors	6,200,000	–	6,200,000
Employees	70,934,000	–	70,934,000
Consultant	5,000,000	–	5,000,000
	82,134,000	–	82,134,000
Exercisable at 1 January 2018	62,534,000		
Exercisable at 31 December 2018			82,134,000

(c) During the current year, no expense is recognised (2018: RMB11,000) in relation to share options granted by the Company under the Scheme.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

(II) The New Scheme

(a) The principal terms of the Company's new share option scheme adopted on 21 April 2015 (the "**New Scheme**") are set out below.

The New Scheme was adopted pursuant to a resolution passed on 21 April 2015 for the primary purpose of providing incentives to eligible directors and employees, and will expire on 26 August 2025. Under the New Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by the directors of the Company and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 as consideration.

34. SHARE OPTION SCHEME (Continued)

(II) The New Scheme (Continued)

(b) The number of shares in respect of which options had been granted and remained outstanding under the New Scheme was 81,000,000 (2018: 100,462,000), representing 4.98% (2018: 6.19%) of the shares of the Company in issue at 31 December 2019.

The following table discloses movements of the Company's options under the New Scheme held by the Group's employees during the current and prior years:

Date of grant	Exercise price per share HK$	Outstanding at 1.1.2019	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2019
27 August 2015	1.97	100,462,000	–	(19,462,000)	81,000,000
Exercisable at 1 January 2019		100,462,000			
Exercisable at 31 December 2019					81,000,000
Weighted average exercise price		HK$1.97			HK$1.97

Date of grant	Exercise price per share HK$	Outstanding at 1.1.2018	Exercised during the year	Outstanding at 31.12.2018
27 August 2015	1.97	100,938,000	(476,000)	100,462,000
Exercisable at 1 January 2018		100,938,000		
Exercisable at 31 December 2018				100,462,000
Weighted average exercise price		HK$1.97	HK$1.97	HK$1.97

No share option under the New Scheme was exercised during the year. 476,000 share options were exercised during the year ended 31 December 2018 and the weighted average share price at the dates of exercise was HK$2.40.

The 81,000,000 outstanding share options granted on 27 August 2015 with the exercise price of HK$1.97 per share are exercisable during the period from 27 August 2016 to 26 August 2025 in two batches, being:

- 27 August 2016 to 26 August 2025 (40,500,000 outstanding share options granted are exercisable)
- 27 August 2017 to 26 August 2025 (40,500,000 outstanding share options granted are exercisable)

The closing prices of the Company's shares immediately before 27 August 2015 was HK$1.87.

(c) No expense was recognised for the years ended 31 December 2019 and 2018 in relation to share options granted by the Company under the New Scheme.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

35. RETIREMENT BENEFIT PLAN

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 rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the local government in the PRC. The Group is required to contribute a specified percentage of the payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this scheme is to make the specified contributions.

The total expense recognised in profit or loss amounting to RMB17,352,000 (2018: RMB21,061,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

36. RELATED PARTY DISCLOSURES

Saved as disclosed elsewhere in the consolidated financial statements, related parties disclosures are as follows:

Guarantee by related parties in support of a loan facility from a financial institution

During the year ended 31 December 2019, Jiangxi Longtianyong, a wholly-owned subsidiary of the Group obtained a loan facility for a revolving loan of RMB30,000,000 with personal guarantees given by Mr. Chen Wantian, a director of the Company and his spouse. In addition, Jiangxi Longtianyong pledged inter-group trade receivables of RMB62,320,000 to secure this loan facility granted. The facility remains unutilized since the date of grant and up to the end of the reporting period.

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
Short-term benefits	**4,775**	9,645
Post-employment benefits	**56**	58
Share-based payments	**–**	1
	4,831	9,704

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

37. PLEDGE OF ASSETS

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

	2019 RMB'000	2018 RMB'000
Property, plant and equipment	**32,809**	53,158
Leasehold land/prepaid lease payments	**17,262**	17,698
Inventories	**172,782**	–
Trade receivables	**75,000**	–
	297,853	70,856

38. 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 shareholders 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 trade loans, lease liabilities and bank borrowings as disclosed in Notes 28, 29 and 31, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising 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.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost	**1,008,210**	998,408
Equity instrument at FVTOCI	**8,963**	8,963
Financial liabilities		
Amortised cost	**308,499**	551,666

(b) Financial risk management objectives and policies

The Group's financial instruments include equity instrument at FVTOCI, trade receivables, loan and interest receivables, refundable rental deposits, restricted bank balances, bank balances and cash, trade and other payables, trade loans, lease liabilities and bank borrowings. 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.

39. FINANCIAL INSTRUMENTS (Continued)

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

Market risk

Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets (i.e. bank balances and cash and trade receivables) and monetary liabilities (i.e. other payables) at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong dollar	**1,958**	1,453	**16,264**	19,405
United States dollar	**4,157**	12,226	**–**	–

The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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 rate.

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 positive/negative number below indicates a decrease/an increase in post-tax loss (2018: an increase/a decrease 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 or loss.

	Hong Kong Dollar		United States Dollar	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Post-tax loss (2018: post-tax profit)	**(536)**	(673)	**156**	458

39. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate trade loans, lease liabilities and bank borrowings (see Notes 28, 29 and 31 for details, respectively).

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate restricted bank balances and bank balances (see Note 26 for details).

The Group is exposed to fair value interest rate risk in relation to its fixed-rate loan receivables (see Note 25 for details).

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate restricted bank balances and bank balances at the end of the reporting period. The analysis is prepared assuming the bank balances outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2018: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2018: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would increase/decrease by RMB1,116,000 (2018: RMB1,316,000).

Credit risk and impairment assessment

At the end of the reporting period, the carrying amounts of the respective recognised financial assets stated in the consolidated statement of financial position as trade receivables, loan and interest receivables, refundable rental deposits (included in deposits and prepayments), restricted bank balances and bank balances represent the Group's maximum exposure to credit risk which will cause of financial loss due to failure to discharge an obligation by the counterparties.

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on trade receivables 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.

Loan and interest receivables

In order to minimise the credit risk, the Group uses an internal credit scoring system to assess the counterparties' credit quality and defines credit limits by counterparties. Limits and scoring attributed to counterparties are reviewed regularly. 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 these balances based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Refundable rental deposits

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

Restricted bank balances/bank balances

The credit risks on restricted bank balances and 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 and trade receivables as disclosed below, the Group does not have any other significant concentration of credit risk.

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

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

	2019	2018
Amount due from the largest debtor as a percentage to total trade receivables	**16%**	14%
Total amount due from the five largest debtors as a percentage to total trade receivables	**59%**	50%

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

39. 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	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
				RMB'000	RMB'000
Financial assets at amortised cost					
Trade receivables	25	(Note 2)	Lifetime ECL (provision matrix)	131,722	
	25	(Note 2)	Lifetime ECL (individual assessment)	241,175	
	25	Loss (Note 2)	Credit-impaired	2,128	375,025
Refundable deposits (included in deposits and prepayments)	25	(Note 1)	12m ECL		7,718
Restricted bank balances	26	(Note 4)	12m ECL		25,345
Bank balances	26	(Note 4)	12m ECL		610,418

31 December 2018	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
				RMB'000	RMB'000
Financial assets at amortised cost					
Trade receivables	25	(Note 2)	Lifetime ECL (provision matrix)	120,347	
	25	(Note 2)	Lifetime ECL (individual assessment)	118,589	
	25	Loss (Note 2)	Credit-impaired	2,006	240,942
Loan and interest receivables	25	(Note 3)	12m ECL		55,143 #
Refundable deposits (included in deposits and prepayments)	25	(Note 1)	12m ECL		3,778
Restricted bank balances	26	(Note 4)	12m ECL		162,052
Bank balances	26	(Note 4)	12m ECL		540,854

\# The amount included loan receivables and interest receivables included in deposits and repayments set out in Note 25.

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Notes:

1. For refundable rental deposits, 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 refundable rental deposits is limited having considered the credit quality of the counterparties and the probability of default is negligible. Therefore, no impairment allowance is made on these balances.

2. 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 ECL on these items by using a provision matrix, grouped by internal credit rating.

   As part of the Group's credit risk management, the Group uses debtors' ageing 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 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)	**0.38%**	**120,445**
1-30 days past due	**0.89%**	**5,896**
31-60 days past due	**1.50%**	**544**
61-90 days past due	**12.10%**	**2,726**
More than 90 days past due	**17.10%**	**2,111**
		131,722

   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 RMB2,128,000 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.

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Notes: (Continued)

2. (Continued)

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

	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	1,325	3,049
New financial assets originated			
– Impairment loss recognised	6,705	–	6,705
As at 31 December 2019	8,429	2,128	10,557

During the year ended 31 December 2019, impairment allowance of RMB1,209,000 (2018: Nil) 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 for credit-impaired trade receivables are mainly due to certain trade debtors with a gross carrying amount of RMB1,325,000 (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 for credit-impaired trade receivables is recognised during the years ended 31 December 2019 and 2018.

3. For loan and interest receivables, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL. The Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating.

As part of the Group's credit risk management, the Group applies internal credit rating for its borrower in relation to its loan borrowing operation. The following table provides information about the exposure to credit risk for loan and interest receivables which are assessed based on provision matrix as at 31 December 2019 and 2018 using 12m ECL.

Gross carrying amount

Internal credit rating	Average loss rate	Loan and interest receivables RMB'000
As at 31 December 2018		
Low risk	4.97%	55,143
As at 31 December 2019		
Low risk	N/A	–

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Notes: (Continued)

3. (Continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the borrowers 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 borrowers is updated.

During the year ended 31 December 2019, no impairment allowance (2018: RMB2,233,000) for loan and interest receivables based on provision matrix.

The following table shows reconciliation of loss allowances that has been recognised for loan and interest receivables under the general approach.

	12m ECL RMB'000
As at 1 January 2018	**900**
– Impairment losses reversed	(390)
– Impairment losses recognised	2,233
As at 31 December 2018	2,743
– Impairment losses reversed	**(2,743)**
As at 31 December 2019	–

The following table shows the movement in gross amounts of loan and interest receivables.

	12m ECL RMB'000
As at 1 January 2018	90,858
– Repayment	(40,575)
– New financial assets originated	4,860
As at 31 December 2018	55,143
– Repayment	**(55,143)**
As at 31 December 2019	–

4. Restricted bank balances and 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 as they are banks with high-credit ratings. Therefore, no impairment allowance are made on theses balances.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors monitor the utilisation of bank borrowing and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

39. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average effective 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	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2019								
Trade and other payables	–	179,071	–	–	–	–	179,071	179,071
Trade loans	5.66	10,000	–	10,000	–	–	20,000	19,428
Lease liabilities	3.96	–	2,265	3,820	2,233	35	8,353	8,146
Bank borrowings – fixed rate	6.96	–	–	72,679	–	–	72,679	70,000
Bank borrowings – variable rate	6.96	–	–	41,430	–	–	41,430	40,000
		189,071	2,265	127,929	2,233	35	321,533	316,645
As at 31 December 2018								
Trade and other payables	–	491,666	–	–	–	–	491,666	491,666
Bank borrowings – fixed rate	7.20	–	–	62,173	–	–	62,173	60,000
		491,666	–	62,173	–	–	553,839	551,666

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

The Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

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

There was no change of fair value hierarchy during the years ended 31 December 2019 and 2018.

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 at the end of the reporting period.

40. 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 RMB19,529,000.

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000
Within one year	14,368
In the second to fifth year inclusive	4,339
Over five years	44
	18,751

During the year ended 31 December 2018, leases were negotiated for terms of one to seven years and rentals were fixed during the lease period. Upon application of IFRS 16 at 1 January 2019, the commitments are shown under lease liabilities in Note 29.

41. 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	**36,451**	–
	133,018	182,932

42. 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 RMB5,514,000 of right-of-use assets and RMB5,514,000 of lease liabilities.

During the year ended 31 December 2019, the Group entered into a reverse factoring agreement as disclosed in Note 28, trade payables amounting to RMB19,428,000 was settled by trade loans.

43. 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.

	Lease liabilities	Bank borrowings	Dividend payable	Amount due to Huatong International	Amounts due to third parties (included in other payables)	Trade loans	Total
	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	–	110,000	3,834	20,446	–	–	134,280
Financing cash flows	–	(55,492)	(3,834)	(840)	22,631	–	(37,535)
Non-cash changes							
Finance cost recognised	–	5,492	–	–	–	–	5,492
At 31 December 2018	–	60,000	–	19,606	22,631	–	102,237
Adjustment upon application of IFRS 16 (Note 2)	10,380	–	–	–	–	–	10,380
At 1 January 2019 (restated)	**10,380**	**60,000**	**–**	**19,606**	**22,631**	**–**	**112,617**
Financing cash flows	**(8,152)**	**40,922**	**–**	**(150)**	**(1,650)**	**–**	**30,970**
Non-cash changes							
Finance cost recognised	**404**	**9,078**	**–**	**–**	**–**	**–**	**9,482**
New leases entered (Note 42)	**5,514**	**–**	**–**	**–**	**–**	**–**	**5,514**
Settlement of trade payables (Note 42)	**–**	**–**	**–**	**–**	**–**	**19,428**	**19,428**
At 31 December 2019	**8,146**	**110,000**	**–**	**19,456**	**20,981**	**19,428**	**178,011**

Note: The cash flows from bank borrowings comprise the net amount of new bank borrowings raised and repayment of bank borrowings.

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The Company has equity 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		Principal activities	Form of company
			2019	2018		
Directly owned						
CSMall Cayman 金貓銀貓集團有限公司	The Cayman Islands	Ordinary shares US$83,233	**40.39% (Notes iii)**	47.46% (Notes iii)	Investment holding	Limited liability
China Silver Financial Group Limited 中國白銀金融集團有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Investment	Limited liability
China Silver Holdings Limited 中國白銀控股有限公司	The BVI	Ordinary shares US$100,000	**100%**	100%	Investment holding	Limited liability
China Silver Mining Group Limited 中國白銀礦業集團有限公司	The BVI	Ordinary Shares US$50,000	**100%**	100%	Inactive	Limited liability
Ultimate Deal Group Limited	The BVI	Ordinary Shares US$50,000	**100%**	100%	Investment holding	Limited liability
Indirectly owned						
CSMall BVI^ 金貓銀貓集團有限公司	The BVI	Ordinary Shares US$83,233	**40.39% (Note iii)**	47.46% (Note iii)	Investment holding	Limited liability
CSMall Holdings Limited^ 金貓銀貓控股有限公司	The BVI	Ordinary shares US$50,000	**40.39% (Note iii)**	47.46% (Note iii)	Investment holding	Limited liability
China Silver Jewellery Group Limited^ 中國白銀珠寶集團有限公司	Hong Kong	Ordinary shares HK$10,000	**40.39% (Note iii)**	47.46% (Note iii)	Investment holding	Limited liability
China Silver Co., Limited 中國白銀有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Investment holding	Limited liability

44. 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	Attributable equity interest held by the Company 2018	Principal activities	Form of company
江西吉銀實業有限公司^	The PRC	Registered capital US$99,800,000	**40.39%** (Note iii)	47.46% (Note iii)	Processing and wholesale of precious metal products	Wholly foreign owned
國融通寶(深圳)融資租貸有限公司^	The PRC	Registered capital RMB200,000	**40.39%** (Note iii)	47.46% (Note iii)	Inactive	Limited liability
Jiangxi Longtianyong	The PRC	Registered capital RMB110,000,000	**100%**	100%	Manufacture of silver, palladium, lead, and non-ferrous metals for sale	Wholly foreign owned
Shanghai Huatong	The PRC	Registered capital RMB50,000,000	**N/A**** (Note iv)	N/A** (Note iv)	Provision of professional electronic platform and related services for trading of silver ingots	Limited liability
浙江千杭珠寶有限公司	The PRC	N/A (Registered capital in 2018: RMB50,000)	**N/A##**	100%	Inactive	Limited liability
國金通寶^	The PRC	Registered capital RMB50,000,000#	**40.39%** (Note iii)	47.46% (Note iii)	Sale of jewellery products^α	Limited liability
Shenzhen Guoyintongbao^	The PRC	Registered capital RMB500,000,000	**40.39%** (Note iii)	47.46% (Note iii)	Offline sale of jewellery products and operation of self-owned stores	Wholly foreign owned
Systematic Development Limited	Hong Kong	Ordinary Shares HK$10,000	**100%**	100%	Investment holding	Limited liability
Tongsheng	The PRC	Registered capital RMB50,000,000 (2018: RMB100,000,000)	**40%** (Note v)	40% (Note v)	Money lending	Limited liability
新疆富銀白銀能源科技有限公司	The PRC	Registered capital RMB100,000,000	**100%**	N/A	Provision of energy technology promotion and consultation service^α	Limited liability

44. 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	Attributable equity interest held by the Company 2018	Principal activities	Form of company
溫州銀通經濟信息諮詢有限公司	The PRC	Registered capital RMB1,000,000	**100%**	100%	Inactive	Wholly foreign owned
浙江富銀白銀有限公司	The PRC	Registered capital US$20,000,000	**100%**	100%	Investment holding and trading of silver ingots	Wholly foreign owned
Shenzhen Yunpeng^	The PRC	Registered capital RMB5,000,000#	**40.39%** (Note iii)	47.46% (Note iii)	Software development	Limited liability
景寧畲銀文化有限公司^	The PRC	Registered capital RMB10,000,000#	**40.39%** (Note iii)	47.46% (Note iii)	Planning of cultural events, design and sale of jewellery products	Limited liability
白銀小鎮（上海）文化產業有限公司^ ("Baiyin Town")	The PRC	Registered capital RMB100,000,000#	**40.39%** (Note iii)	47.46% (Note iii)	Online sales of jewellery products	Limited liability
湖州白銀置業有限公司^	The PRC	Registered capital RMB50,000,000	**40.39%** (Note iii)	47.46% (Note iii)	Property development	Limited liability
上海華通銀寶鉑銀製品有限公司	The PRC	Registered capital RMB1,000,000	**100%**	100%	Inactive	Limited liability
江西華通鉑銀資訊諮詢有限公司	The PRC	N/A (Registered capital in 2018: RMB10,000,000)	**N/A##**	100%	Inactive	Limited liability
浙江金貓銀貓珠寶首飾有限公司^	The PRC	Registered capital RMB10,000,000#	**40.39%** (Note iii)	47.46% (Note iii)	Sale of jewellery products	Limited liability
上海鷗亘商務信息諮詢有限公司	The PRC	Registered capital RMB1,000,000#	**100%**	100%	Inactive	Wholly foreign owned

44. 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		Principal activities	Form of company
			2019	2018		
上海金孛信息科技有限公司	The PRC	Registered capital RMB10,000,000#	100%	100%	Inactive	Limited liability
上海找銀	The PRC	Registered capital RMB50,000,000	–^^	100%	Inactive	Limited liability

* English translated names are for identification only
\# At 31 December 2019, capital injection to the entity had not been fully paid
^ Subsidiaries of CSMall Cayman
α Not yet commence business
** Structured entities
^^ Disposed of during the year ended 31 December 2019
\#\# Deregistered during the year ended 31 December 2019

Notes:

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

(ii) **Details of non-wholly owned subsidiaries that have material non-controlling interests**

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
CSMall Cayman and its subsidiaries	The Cayman Islands	59.61%	52.54%	(1,759)	71,413	853,985	641,006
Individual immaterial subsidiaries with non-controlling interests				853	(22)	421	9,569
				(906)	71,391	854,406	650,575

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Notes: (Continued)

(ii) **Details of non-wholly owned subsidiaries that have material non-controlling interests** (Continued)

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	CSMall Cayman As at/For the year ended 31.12.2019 RMB'000	CSMall Cayman As at/For the year ended 31.12.2018 RMB'000
Current assets	**1,313,244**	1,371,500
Non-current assets	**283,137**	156,633
Current liabilities	**160,267**	308,098
Non-current liabilities	**3,493**	–
Equity attributable to owners of the Company	**578,636**	579,029
Non-controlling interests of the Company	**853,985**	641,006
Revenue	**1,248,988**	2,497,849
(Loss) profit for the year	**(5,083)**	142,677
(Loss) profit for the year attributable to owners of the Company	**(3,324)**	71,264
(Loss) profit for the year attributable to the non-controlling interests	**(1,759)**	71,413
Net cash inflow (outflow) from operating activities	**125,080**	(285,235)
Net cash outflow from investing activities	**(121,970)**	(147,553)
Net cash inflow from financing activities	**121,170**	363,789
Net cash inflow (outflow)	**124,280**	(68,999)

(iii) **Change in the Group's ownership interests in a subsidiary**

CSMall Cayman

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

On 30 August 2019, CSMall Cayman has issued 184,287,040 new shares in total to participants of a new employee share scheme and a strategic investor pursuant to an employee subscription agreement and employee trust deed dated 6 May 2019 (the "**Transactions**").

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Notes: (Continued)

(iii) **Change in the Group's ownership interests in a subsidiary** (Continued)

CSMall Cayman (Continued)

Pursuant to the 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 CSMall Cayman 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 CSMall Cayman 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 CSMall Cayman as equity-settled share-based payments determined based on the market price of the shares. An amount of RMB87,679,000 (being proportionate share of the carrying amount of the net assets value of CSMall Cayman) has been transferred to non-controlling interests. The difference of RMB4,671,000 between the increase in the non-controlling interests and the consideration received has been debited to capital reserve.

Pursuant to the 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 CSMall Cayman 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 CSMall Cayman held on 16 August 2019 and rank pari passu with other shares in issue in all respects. An amount of RMB129,177,000 (being proportionate share of the carrying amount of the net assets value of CSMall Cayman) has been transferred to non-controlling interests. The difference of RMB7,603,000 between the increase in the non-controlling interests and the consideration received has been credited to capital reserve.

Immediately subsequent to the completion of the Transactions, the Company's equity interest in CSMall Group decreased from 47.46% to 40.39%. The percentage of the voting rights held by the Company and other parties acting in concert according to the voting arrangement in the aforesaid employee trust deed over CSMall Cayman decreased from approximately 48.45% to approximately 48.05%.

(iv) **Consolidated structured entity**

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

During the year ended 31 December 2016, the Group decided to engage in the provision of professional electronic platform which was categorised under the Restricted Business. Therefore, Shanghai Huatong was acquired and under the legal ownership of two independent third parties. Therefore, a series of agreements (the "**2016 Contractual Arrangements**") were entered into between the Group and the legal owners on 28 January 2016.

Shanghai Huatong is referred to as the "Structured Entity".

The 2016 Contractual Arrangements both comprised of (a) option agreement, (b) proxy agreement, (c) consultancy and services agreement and (d) share pledge agreement. Key provisions of the 2016 Contractual Arrangements are as follows:

Option Agreement

The Group, the Structured Entity and the legal owners entered into an exclusive option agreement (the "**Option Agreement**") whereby the legal owners have irrevocably and unconditionally agree, to the extent permitted under the laws of the PRC, to transfer to the Group or any other entities or persons designated by the Group their equity interests in the Structured Entity. The Group may exercise, at its sole discretion, its rights at any time and in any manner permitted under the laws of the PRC. The exercise price of the rights payable to each of the legal owners is the lower of (a) the amount of registered capital contributed by the respective legal owner in accordance with their respective percentage of equity interest in the Structured Entity and (b) the lowest price permitted under the laws of the PRC. The entire consideration received by the legal owners in exercising the option would be transferred to the Group within 10 days. In respect of the 2016 Contractual Arrangements, the Option Agreement contains an undertaking from Shanghai Huatong's legal owners to return to the Company any consideration they received when the Company acquires the equity interest of Shanghai Huatong upon unwinding the 2016 Contractual Arrangements.

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

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Notes: (Continued)

(iv) **Consolidated structured entity** (Continued)

Proxy Agreement

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

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

Consultancy and Services Agreement

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

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

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

Share Pledge Agreement

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

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

The directors of the Company, after consulting their legal counsel, are of the view that the 2016 Contractual Arrangements are in compliance with existing PRC laws and regulations and are valid, binding and enforceable, and do not result in any violation of PRC laws or regulations currently in effect in all material aspects. The 2016 Contractual Arrangements have in substance enabled the Group to exercise full control over and enjoy all economic benefits of the Structured Entity despite the absence of formal legal equity interest held by the Group therein and the legal owners are, in substance, the nominees of the Group. Accordingly, the Structured Entity is accounted for as a consolidated Structured Entity of the Group.

Shanghai Huatong is principally engaged in operation of online sales platform in the PRC.

(v) The Group has control over Tongsheng as the Group has the ability to direct the relevant activities of Tongsheng and practical right to appoint the majority of directors of Tongsheng.

45. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2019, in response to the public health risks associated with an 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, Shenzhen and Shanghai 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 financial impact of the Company 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.

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSET			
Investments in subsidiaries			
– Unlisted investment, at cost		**1,300,824**	1,300,824
CURRENT ASSETS			
Amounts due from subsidiaries		**6,489**	6,578
Other receivables		**1,777**	1,640
Bank balances		**509**	756
		8,775	8,974
CURRENT LIABILITIES			
Other payables		**7,903**	18,880
Amounts due to subsidiaries		**232,950**	237,384
		240,853	256,264
NET CURRENT LIABILITIES		**(232,078)**	(247,290)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,068,746**	1,053,534
CAPITAL AND RESERVES			
Share capital	32	**13,275**	13,246
Share premium and reserves	(i)	**1,055,471**	1,040,288
TOTAL EQUITY		**1,068,746**	1,053,534

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

Notes:

(i) Movements in share premium and reserves of the Company:

	Share premium RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2017	1,095,250	106,713	(137,889)	1,064,074
Loss and total comprehensive expense for the year	–	–	(24,561)	(24,561)
Recognition of equity-settled share-based payments (Note 34)	–	11	–	11
Issue of shares upon exercise of share options	1,010	(246)	–	764
At 31 December 2018	1,096,260	106,478	(162,450)	1,040,288
Profit and total comprehensive income for the year	–	–	12,416	12,416
Lapse of share options (Note 34)	–	(13,454)	13,454	–
Issue of shares upon exercise of share options (Note 34)	4,082	(1,315)	–	2,767
At 31 December 2019	1,100,342	91,709	(136,580)	1,055,471

(ii) The Company has applied IFRS 16 since 1 January 2019 in accordance with transitional provision stated in Note 2. All leases were entered into in 2019 and the application of IFRS 16 has no impact on the Company's financial positions and accumulated loss 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	1,706,665	4,088,195	5,469,028	3,751,216	**3,927,097**
Profit (loss) before tax	7,004	428,410	387,780	298,253	**(55,779)**
Income tax expense	(17,975)	(121,597)	(62,587)	(77,912)	**(61,322)**
(Loss) profit for the year	(10,971)	306,813	325,193	220,341	**(117,101)**
Attributable to					
– Owners of the Company	(10,969)	304,078	285,986	148,950	**(116,195)**
– Non-controlling interests	(2)	2,735	39,207	71,391	**(906)**
	(10,971)	306,813	325,193	220,341	**(117,101)**

ASSETS AND LIABILITIES

	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Total assets	1,757,221	2,776,039	3,549,706	4,013,267	**3,979,665**
Total liabilities	(262,141)	(588,393)	(777,257)	(664,976)	**(538,010)**
Total equity	1,495,080	2,187,646	2,772,449	3,348,291	**3,441,655**
Equity attributable to owners of the Company	1,446,482	2,089,163	2,623,752	2,697,716	**2,587,249**
Non-controlling interests	48,598	98,483	148,697	650,575	**854,406**
	1,495,080	2,187,646	2,772,449	3,348,291	**3,441,655**