金貓銀貓CSmall

金貓銀貓集團有限公司
CSMall Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1815

INTERIM REPORT 2020

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Fu Lui（府磊）
Hu Qilin
Zhang Zuhui（張祖輝）

AUDIT COMMITTEE

Fu Lui *(Chairman)*
Hu Qilin
Zhang Zuhui

REMUNERATION COMMITTEE

Zhang Zuhui *(Chairman)*
Fu Lui
Hu Qilin

NOMINATION COMMITTEE

Chen He *(Chairman)*
Fu Lui
Zhang Zuhui

COMPANY SECRETARY

Chan Sau Ling（陳秀玲）

AUTHORISED REPRESENTATIVES

Chen He
Chan Sau Ling

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE

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

CORPORATE INFORMATION

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.csmall.com

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
1815

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISORS

Hong Kong law:

Sullivan & Cromwell (Hong Kong) LLP

Cayman Islands law:

Ogier

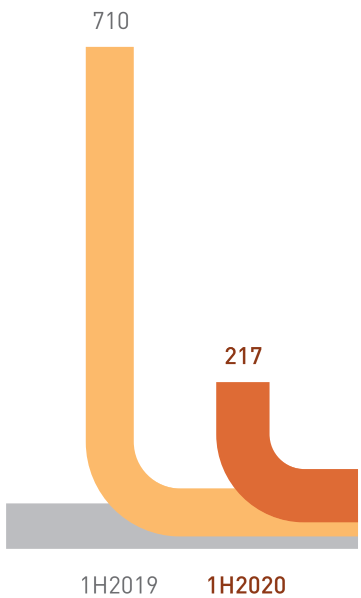
INVESTORS AND MEDIA RELATIONS

Hill and Knowlton Strategies

FINANCIAL HIGHLIGHTS

Revenue

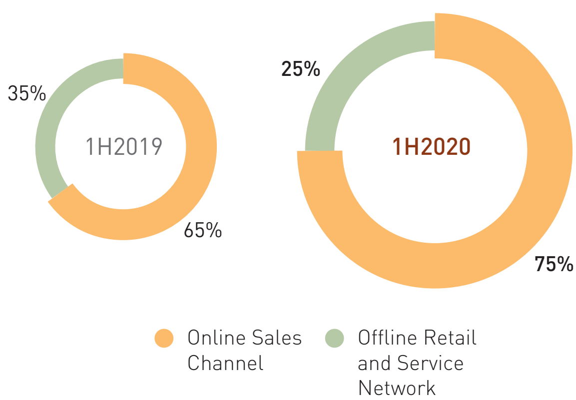
RMB million



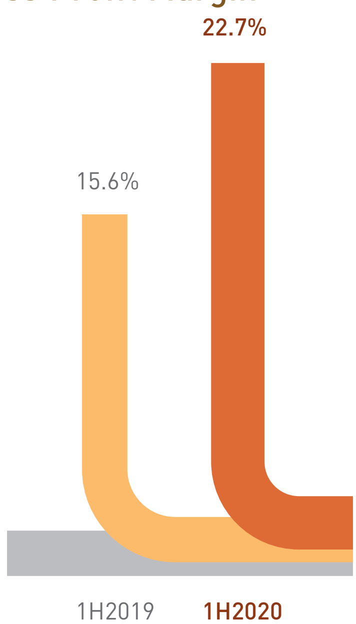
(Loss) Profit for the Period

RMB million

Revenue by Sales Channels



Gross Profit Margin



OUR MILESTONES

2013

Commencement of our online business

2014

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

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

Opened our flagship Shenzhen Exhibition Hall in Shuibei, Shenzhen

Mar 2018

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

Future

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

2018

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

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

2015

Mobile website m.csmall.com was launched

Mobile app 金貓銀貓 CSmall was launched

SELECTED BRANDS AND PRODUCTS

SELECTED BRANDS AND PRODUCTS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2020 ("**1H2020**"), due to the impact of the novel coronavirus ("**COVID-19**") outbreak, the retail market in the People's Republic of China (the "**PRC**") was under a near shutdown, and overall consumption was conservative and sluggish. During the period, the focus of public consumption of consumer goods was mainly on fresh food, daily necessities and hygienic products, while the consumption of non-necessary consumer goods such as gold and jewellery significantly decreased due to the epidemic. Both online and offline sales volume plummeted as compared with the six months ended 30 June 2019 ("**1H2019**"). The epidemic tsunami and the general atmosphere of escalating Sino-US trade disputes have severely impacted the business performance of CSMall Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**", "**we**" or "**us**") in the first half of the year. During the epidemic, a large number of physical stores of the Group were temporarily closed for business, thus missing the peak season of jewellery sales in traditional festivals, with the supply chains also stalled or delayed.

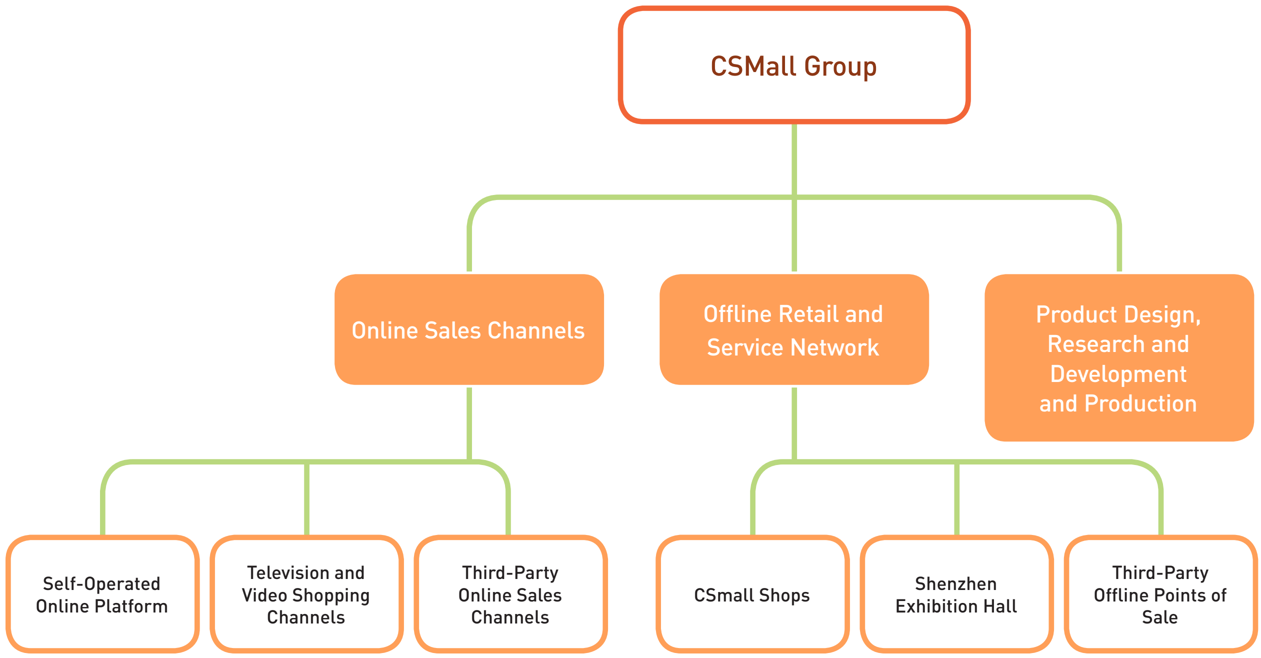
Facing severe challenges, the Group has implemented various short-term response measures, such as slowing down the expansion plan of offline stores, adjusting the distribution of offline business outlets, and carefully selecting sites for new stores. The acquisition of a land use right for Baiyin Town, which was originally planned to be developed in a tourist attraction in Huzhou, the PRC, was also terminated due to the COVID-19. The Group also reduced its operating expenses and headcount to improve efficiency. Facing changing new modes of consumption, the Group focused on increasing the proportion of online sales in the first half of the year. Relying on smart technologies, big data and robust supply chains, we have enhanced our digital marketing. In particular, we expanded the operation of new marketing modes such as short video marketing, e-commerce live streaming and online celebrities (KOL). Excluding a net loss on termination of assignment contract in relation to acquisition of a land use right of approximately RMB26.7 million, the Group still achieved a net profit of approximately RMB8.1 million in 1H2020 despite the severe epidemic crisis.

The gross profit margin was continually improved through the Group's optimization of product mix and sales strategies since 2018, seeing an increase from 15.6% for 1H2019 to 22.7% for 1H2020 in spite of the severe impact of the COVID-19. That would lay a solid foundation for the Company's recovery of strong profit growth after the end of the pandemic and when the market has rebounded.

With the rising spending power of young consumers and the increasing use of short videos and e-commerce live streaming, the Group's fashion ear accessory brand, SISI, was also actively entering this young consumer market. During the period, the Group focused on low-price and high-margin fashion jewellery markets with increased efforts in product design and research to keep pace with the evolving market and satisfy the demand of young consumer groups for affordable jewellery products. With the rise of Chinese traditional style and culture, the cultural and creative industries are gradually developing into a new economic sector with enormous potential in the PRC, with related products springing up like mushrooms and well-received by consumers. Our silver products are carefully processed using traditional craft to become fashionable silver jewellery and healthy silverware that meets contemporary aesthetics. In the first half of the year, we also increased our investment in design and research to expand our presence in the market.

Furthermore, on the basis of developing offline retail sales network, the Group intensified its platform services and membership maintenance and management and the platform was upgraded to a membership-based platform to focus on the stimulation and maintenance of the existing approximately 9.9 million members. As a result, the platform's repeat purchase rate and sales conversion rate both recorded an increase as compared with 1H2019. With the continuous development of technologies such as artificial intelligence, cloud computing and big data, the development of the internet has entered a new era. The combination of the internet with intelligent technologies has made offline scenes an important traffic portal. We developed the "Intelligent Marketing Decision Support System" by using technologies and big data to analyse the data from online platforms and offline stores, which provided valuable information on customers' behaviors and preferences and allowed us to gain an insight into operational and business strategies, thereby creating a new online and offline integrated retail platform that better satisfies users' needs and offers better consumer experience.

Provide customers with a multi-dimensional one-stop shopping experience



MANAGEMENT DISCUSSION AND ANALYSIS

Online Sales Channels

(1) Self-operated online platform

The Group's past implementation of the strategy of attracting user traffic through promotion of low-margin gold bars has achieved satisfactory results. As of 30 June 2020, 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 strategy and the platform was upgraded to a membership-based platform. The focus was shifted from attracting new members to stimulating and enhancing benefits for existing members, with remarkable results achieved. As of 30 June 2020, the repeat purchase rate of members was approximately 7.6%, representing an increase of approximately 18.8% as compared with last period; and the sales conversion rate of the platform's members was approximately 48.0%, representing an increase of approximately 20.1% as compared with last period.

(2) Television and video shopping channels

As of 30 June 2020, we cooperated with a total of 17 television and video shopping channels in the PRC to promote and sell our jewellery products and became a core supplier in the gold, silver and jewellery category of all top television channels, which enabled us to achieve satisfactory sales performance. With a daily coverage of over 100 million domestic viewers in the PRC, our brand awareness among viewers of Chinese television and video shopping channels was enhanced substantially. Short-video marketing and online celebrity (KOL) promotion are a standard part of our brand marketing. Their content has become the core of every aspect of our brand marketing, sales and operation.

(3) Third-party online marketplaces

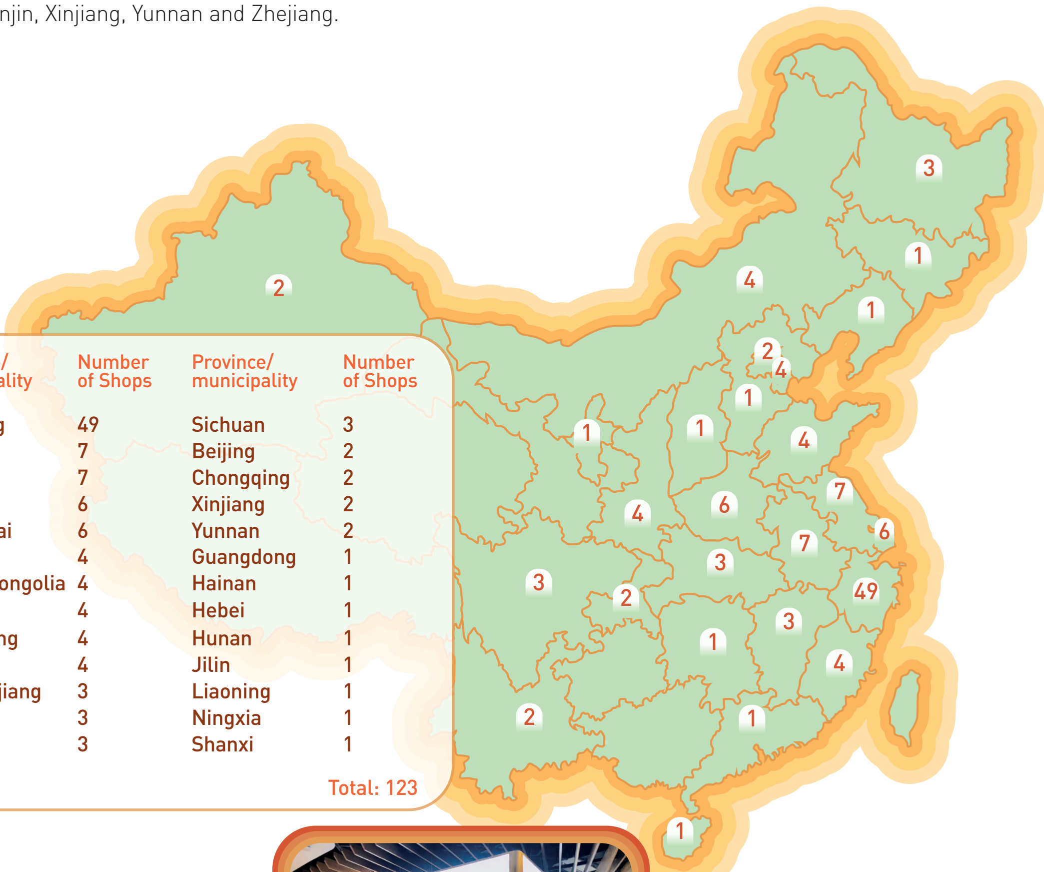
As at 30 June 2020, our third-party platforms included JD.com (京東), Suning (蘇寧), Tmall (天貓), WeChat (微信) and Xiaohongshu (小紅書) (newly added in 1H2020). Five more new flagship stores were opened in 1H2020 in addition to the existing seven stores on the third-party platforms.

MANAGEMENT DISCUSSION AND ANALYSIS

Offline Retail and Service Network

(1) 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. In 1H2020, the Group optimised its strategic deployment, closing 10 stores and opening 12 new stores. As of 30 June 2020, we had 123 CSmall Shops located in 26 provinces and municipalities in the PRC, consisting of 5 self-operated CSmall Shops and 118 franchised CSmall Shops with presence in Anhui, Beijing, Chongqing, Fujian, Guangdong, Hainan, Hebei, Heilongjiang, Henan, Hubei, Hunan, Inner Mongolia, Jiangsu, Jiangxi, Jilin, Liaoning, Ningxia, Shaanxi, Shandong, Shanghai, Shanxi, Sichuan, Tianjin, Xinjiang, Yunnan and Zhejiang.



Province/ municipality	Number of Shops	Province/ municipality	Number of Shops
Zhejiang	49	Sichuan	3
Anhui	7	Beijing	2
Jiangsu	7	Chongqing	2
Henan	6	Xinjiang	2
Shanghai	6	Yunnan	2
Fujian	4	Guangdong	1
Inner Mongolia	4	Hainan	1
Shaanxi	4	Hebei	1
Shandong	4	Hunan	1
Tianjin	4	Jilin	1
Heilongjiang	3	Liaoning	1
Hubei	3	Ningxia	1
Jiangxi	3	Shanxi	1

Total: 123

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Shenzhen Exhibition Hall

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

(3) Third-party offline points of sale

We 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. We also cooperate with branded retailers, entertainment service providers, commercial banks, telecommunications service providers and insurance companies.

MANAGEMENT DISCUSSION AND ANALYSIS

New Retailing Model

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

(1) Turning jewellery into accessory

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

(2) Blending silverware into daily life

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

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Injecting artistic creativity into products

As the cultural and creative industries are gradually developing into a new economic category with great potential in the PRC, related products are springing up like mushrooms. We have recruited outstanding designers and maintained cooperation with design associations to explore cultural resources in order to create more products with cultural heritage and artistic elements. We have also promoted cultural and creative handicraft in collaboration with communities and tourist attractions.

(4) Intelligentizing service

Our robust technical R&D team has created an "Intelligent Marketing Decision Support System" for the jewellery industry. Through collecting and analyzing data from both online platforms and offline stores, such system provides valuable information on customers' behavior and preferences, thereby allowing retailers to gain an insight into operational and business strategies. Big data analytics not only allows us to understand customers' behavior and preferences, but also equips us with an insight into our operational and business strategies, thereby providing consumers with better shopping experience and better products.

PROSPECTS

The epidemic in 1H2020 has had a greater impact on the gold and silver jewellery industry in the short term, but may also bring more opportunities to innovative enterprise like the Group in the medium and long term. While getting out of the current predicament, we have also prepared ourselves well for future market changes. The Group will seize the trend and accelerate investment in new marketing modes such as short videos and e-commerce live streaming. To seize the opportunities brought by the reshuffle of the traditional jewellery industry, while expanding the offline retail network in the future, the Group will also give full play to the strengths of the innovative model of new jewellery retail and create a digital platform for smart stores, smart consumption, jewellery Internet of things, etc. with big data, thereby pursuing industrial innovation and upgrade. The Group expects to brave the macro-economic headwinds and seize the opportunities brought by the reshuffle of the traditional jewellery industry, thereby increasing its market share and maintaining its profitability and stability.

FINANCIAL REVIEW

Revenue

The revenue of the Group for 1H2020 was approximately RMB216.7 million (1H2019: RMB709.8 million), representing a significant decrease of approximately 69.5% from that for 1H2019, mainly due to the adverse impact of the outbreak of the COVID-19, the Sino-US trade war and the slowdown in the PRC's economic growth on the macro-economy which have had a negative impact on the PRC retail market. As the outbreak of the COVID-19 led to temporary suspension of business and weak consumer sentiment in China, and most of exhibitions, banquets and weddings were postponed or cancelled in 1H2020, the demand for jewellery declined significantly, leading to a decline in the sales volume of the Group through both its online sales channels and its offline retail and service network.

	1H2020		1H2019	
	Revenue RMB'000	**% of revenue**	Revenue RMB'000	% of revenue
Online Sales Channels				
Self-operated online platform	**64,375**	**29.7%**	293,738	41.4%
Third-party online sales channels	**98,250**	**45.3%**	168,173	23.7%
	162,625	**75.0%**	461,911	65.1%
Offline Retail and Service Network				
CSmall Shops	**37,675**	**17.4%**	112,909	15.9%
Shenzhen Exhibition Hall	**15,902**	**7.3%**	134,311	18.9%
Third-party offline points of sale	**543**	**0.3%**	637	0.1%
	54,120	**25.0%**	247,857	34.9%
Total	**216,745**	**100.0%**	709,768	100.0%

Online Sales Channels

For 1H2020, the online sales channels recorded sales of approximately RMB162.6 million (1H2019: RMB461.9 million), representing a significant decrease of approximately 64.8% as compared to that for 1H2019, mainly due to weak consumer sentiment in the PRC and the slowdown in the PRC's economic growth resulting from the outbreak of the COVID-19, which have had a negative impact on the PRC retail market.

MANAGEMENT DISCUSSION AND ANALYSIS

Offline Retail and Service Network

For 1H2020, the offline retail and service network recorded sales of approximately RMB54.1 million (1H2019: RMB247.9 million), representing a significant decrease of approximately 78.2% as compared to that for 1H2019, mainly due to a sharp decrease in demand under the traditional offline shopping model as people's desire to go out for shopping was affected by the COVID-19 outbreak in 1H2020. The adverse impact of Sino-US trade war on the macro–economy and the slowdown in the PRC's economic growth also have had a negative impact on the PRC retail market.

Cost of Sales and Services Provided

Cost of sales decreased from approximately RMB599.3 million for 1H2019 to approximately RMB167.6 million for 1H2020, representing a decrease of approximately 72.0%, mainly due to the decrease in our revenue during 1H2020.

Gross Profit and Gross Profit Margin

We recorded gross profit of approximately RMB49.2 million (1H2019: RMB110.4 million) for 1H2020, representing a significant decrease of approximately 55.5% as compared to that for 1H2019, which was mainly attributable to the decrease in our revenue during the period. The overall gross profit margin significantly increased from approximately 15.6% to approximately 22.7%, primarily attributable to the adjustments to our sale strategy as we optimised our product mix to focus on the sale of a more diverse product offering and the promotion of high-margin silver and jewellery products.

Other Income, Gains and Losses

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

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 18.4% from approximately RMB17.0 million for 1H2019 to approximately RMB13.9 million for 1H2020 primarily due to the decrease in advertising and promotion expenses as a result of the temporary suspension of business during the COVID-19 pandemic.

Administrative Expenses

Administrative expenses decreased by approximately 22.8% from approximately RMB33.0 million for 1H2019 to approximately RMB25.4 million for 1H2020. The decrease was primarily due to the decrease in staff remuneration expenses as a result of a decrease in the average number of staff members during the period.

Net Loss on Termination of Assignment Contract in relation to Acquisition of a Land Use Right

During 1H2020, Huzhou Baiyin Property Co., Ltd.（湖州白銀置業有限公司）("**Huzhou Baiyin**"), an indirect wholly-owned subsidiary of the Group, entered into a termination agreement and a compensation agreement to terminate the acquisition of the land use right over a piece of land located in Huzhou, the PRC (please refer to the paragraph headed "Significant Investment Held, Material Acquisition and Disposal" below for details). In accordance with the terms of the agreements, Huzhou South Taihu New District Management Committee（湖州市南太湖新區管理委員會）(the "**Committee**") agreed to refund the deposits received of approximately RMB272.2 million and compensate Huzhou Baiyin for certain capital expenditure, other related expenses and certain taxes paid. A net loss on termination of assignment contract in relation to the acquisition of a land use right of approximately RMB26.7 million was recorded in the current period.

Income Tax Expense

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

(Loss) Profit for the Period

Because of the one-off net loss on termination of assignment contract in relation to the acquisition of a land use right of approximately RMB26.7 million for 1H2020 (please refer to the paragraph headed "Net Loss on Termination of Assignment Contract in relation to Acquisition of a Land Use Right" above for details), we recorded a net loss for the period of approximately RMB18.5 million for 1H2020, as compared to a net profit for the period of approximately RMB41.0 million for 1H2019. However, if the one-off net loss on termination of assignment contract in relation to the acquisition of a land use right is excluded, we would have recorded a net profit for 1H2020 of approximately RMB8.1 million, representing a significant decrease of approximately 80.2% as compared with that for 1H2019, mainly due to the decrease in our overall revenue.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group's inventories mainly comprise silver bars, jewellery products and gold bars. For 1H2020, inventory turnover days were approximately 483.2 days (for the year ended 31 December 2019: 148.9 days) mainly due to the significant decrease in cost of sales as a result of significant drop in sales.

The turnover days for trade receivables for 1H2020 were approximately 237.9 days (for the year ended 31 December 2019: 81.5 days) mainly due to the delay in repayment from certain customers affected by the COVID-19 outbreak.

The turnover days for trade payables for 1H2020 were approximately 51.4 days (for the year ended 31 December 2019: 54.1 days), which was comparable to that for 1H2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

As of 30 June 2020, the Group had trade loans amounting to approximately RMB19.4 million (as of 31 December 2019: RMB19.4 million). The amounts are carried at fixed interest rates, secured by specific assets of the Group and will be due for repayment within one year.

The Group's net gearing ratio was calculated on the basis of trade loans less bank balances and cash as a percentage of total equity. As of 30 June 2020, the Group was in a net cash position with a net gearing ratio of approximately –43.0% (as of 31 December 2019: –26.1%).

Pledge of Assets

As of 30 June 2020, assets with the following carrying amounts were pledged to secure the trade loans of the Group.

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Inventories	**30,000**	30,000
Trade receivables	**75,000**	75,000
	105,000	105,000

In addition, as at 30 June 2020 and 31 December 2019, the trade loans of the Group were secured by (i) personal guarantees executed by Mr. Chen He (a director of the Company) and Mr. Chen Wantian (a director of China Silver Group Limited (Stock code: 815) ("**China Silver Group**")) and their respective spouses; and (ii) a corporate guarantee executed by China Silver Group.

Capital Expenditures

For 1H2020, the Group invested approximately RMB1.7 million in property, plant and equipment (1H2019: RMB0.1 million).

For 1H2020, the Group did not pay additional deposits and other direct cost in relation to the acquisition of land use right (1H2019: RMB104.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements:		
– Land use right	**–**	95,467
– Plant and equipment	**620**	1,100
– Intangible assets	**–**	12,140
	620	108,707

Contingent Liabilities

As at 30 June 2020 and 31 December 2019, the Group did not have any contingent liabilities.

Employees

As of 30 June 2020, the Group employed 243 staff members (31 December 2019: 336 staff members) and the total remuneration for 1H2020 amounted to approximately RMB14.2 million (1H2019: RMB18.8 million). The Group's remuneration packages are in line with the current legislation in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during the current interim period. The Group was principally financed by internal resources, net proceeds received from the global offering of the Company completed on 13 March 2018 (the "**Global Offering**") and trade loans. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and trade loans. As of 30 June 2020, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately RMB627.1 million (as of 31 December 2019: RMB393.3 million), RMB1,366.3 million (as of 31 December 2019: RMB1,153.0 million) and RMB1,421.3 million (as of 31 December 2019: RMB1,436.1 million), respectively.

As of 30 June 2020, the Group held trade loans of approximately RMB19.4 million (as of 31 December 2019: RMB19.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The board of directors (individually, a "**Director**", or collectively, the "**Board**" or the "**Directors**") has resolved not to declare an interim dividend for 1H2020 (1H2019: Nil).

Significant Investment Held, Material Acquisition and Disposal

Between 29 and 30 June 2020, Huzhou Baiyin, an indirect wholly owned subsidiary of the Group, entered into a termination agreement with the Committee and Huzhou Municipal Bureau of Natural Resources and Planning (湖州市自然資源和規劃局) (the "**Bureau**"), and a compensation agreement with the Committee, pursuant to which (a) the Committee and the Bureau agreed to terminate the Acquisition described in note 9(i) to the condensed consolidated financial statements; and (b) the Committee agreed to (i) refund the deposits received amounting to approximately RMB272.2 million; (ii) compensate Huzhou Baiyin for the capital expenditure and other expenses incurred by the Group in connection with the exploration, design and construction works on the land; and (iii) compensate Huzhou Baiyin for certain taxes paid by another indirect wholly owned subsidiary of the Group.

As at 29 June 2020, the Group paid an aggregate amount of approximately RMB232.5 million of deposits and other direct costs of approximately RMB22.5 million in relation to the Acquisition. Deposits of approximately RMB175.5 million were received by the Group during 1H2020 and a refundable amount of approximately RMB96.7 million was accounted as other receivables at 30 June 2020. Respective net loss on termination of assignment contract in relation to the Acquisition of approximately RMB26.7 million was recognised in the condensed consolidated statement of profit or loss and other comprehensive income. Subsequent to the reporting period, a refund of approximately RMB70.1 million has been further received and the remaining amount is expected to be recovered within one year.

Save as disclosed above, the Group did not hold any significant investment nor did the Group carry out any material acquisition and disposal during 1H2020.

Use of Proceeds from the Global Offering

The net proceeds received by the Company from the Global Offering amounted to approximately RMB329.3 million after deducting underwriting commissions and all related expenses. The net proceeds have been and will continue to be used in a manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 28 February 2018. The unused amount of the net proceeds as at 30 June 2020 amounted to approximately RMB60.2 million.

The net proceeds received from the Global Offering have been used as follows during the period from the 1 January 2020 to 30 June 2020:

	Unused amount as at 31 December 2019 RMB million	Used between 1 January 2020 and 30 June 2020 RMB million	Unused amount as at 30 June 2020 RMB million	Expected timeline for the use of the unused amount
Implement the CSmall Gift Initiatives and other crossover marketing initiatives	22.4	7.1	15.3	Expected to be fully utilized by 30 June 2021
Upgrade the IT systems and enhance the interface of self-operated online jewellery platform	12.1	12.1	–	–
Develop offline retail and service network	1.0	0.8	0.2	Expected to be fully utilized by 31 December 2020
Upgrade the IT infrastructure and data management systems	29.0	14.1	14.9	Expected to be fully utilized by 31 December 2021
Expand in-house design team and expand the warehouse and upgrade our order fulfilment facilities commensurate with the business needs	25.0	0.6	24.4	Expected to be fully utilized by 31 December 2023
Brand development and targeted marketing campaigns	9.5	4.1	5.4	Expected to be fully utilized by 30 June 2021
Working capital and other general corporate purposes	–	–	–	–
Total	**99.0**	**38.8**	**60.2**	

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

Use of Proceeds from the Strategic Issuance

The issue of 100,000,000 new ordinary shares to a strategic investor, Mr. Yao Runxiong, at a price of HK$1.50 per share (the "**Strategic Issuance**") was completed on 30 August 2019. The net proceeds received by the Company from the Strategic Issuance amounted to approximately RMB134.7 million after deducting transaction costs directly attributable to the transaction. The net proceeds have been and will continue to be used in a manner consistent with that mentioned on page 20 of the circular of the Company dated 31 July 2019. The unused amount of the net proceeds as at 31 December 2019 and 30 June 2020 amounted to approximately RMB114.9 million and RMB98.5 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The net proceeds received from the Strategic Issuance have been used as follows during the period from 30 August 2019 to 30 June 2020:

	Net proceeds received from the Strategic Issuance RMB million	Used between 30 August 2019 and 31 December 2019 RMB million	Unused amount as at 31 December 2019 RMB million	Used between 1 January 2020 and 30 June 2020 RMB million	Unused amount as at 30 June 2020 RMB million	Expected timeline for the use of the unused amount
Develop the Company's offline retail and experiential shopping network	60.5	0.0	60.5	0.0	60.5	Expected to be fully utilized by 31 December 2021
Organize brand development and targeted marketing initiatives	13.5	0.2	13.3	0.0	13.3	Expected to be fully utilized by 31 December 2021
Implement cross-sector marketing campaigns, such as the Company's "CSMall Gift" initiatives	13.5	0.3	13.2	0.9	12.3	Expected to be fully utilized by 31 December 2021
Carry out technological research and development and upgrade the Company's information technology systems, such as its "Intelligent Marketing Decision Support System"	13.5	0.6	12.9	1.2	11.7	Expected to be fully utilized by 31 December 2021
Pay professional and other fees in relation to the Company's status as a Hong Kong listed company and also in relation to the Strategic Issuance	13.5	6.9	6.6	5.9	0.7	Expected to be fully utilized by 31 December 2020
Pay other administrative expenses, including but not limited to rental expenses as well as salaries and other allowances	20.2	11.8	8.4	8.4	–	–
Total	**134.7**	**19.8**	**114.9**	**16.4**	**98.5**	

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

Significant Event After the Reporting Period

Subsequent to 30 June 2020, in regard to the termination of the Acquisition mentioned under the paragraph headed "Significant Investment Held, Material Acquisition and Disposal" above, the Group has further received approximately RMB70.1 million as compensation of capital expenditure and other expenses incurred in connection with the Acquisition. The remaining amount of the compensation is expected to be recovered within one year.

SUPPLEMENTAL INFORMATION IN RELATION TO CONNECTED TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the Group's related party transactions set out in note 36 to the consolidated financial statements for the year ended 31 December 2019 on page 123 of the Company's 2019 annual report (the "**FY2019 Related Party Transactions**"). Reference is also made to the section headed "Report of the Directors – Connected Transactions" on pages 49 to 50 of the Company's 2019 annual report (the "**FY2019 Connected Transactions Disclosure**").

As mentioned in the FY2019 Connected Transactions Disclosure, the Group entered into a framework purchase agreement with Jiangxi Longtianyong Nonferrous Metals Co., Ltd. (江西龍天勇有色金屬有限公司) ("**Longtianyong**") on 19 February 2018 in relation to the sourcing of silver ingots and related raw materials from Longtianyong (the "**Framework Purchase Agreement**"). The annual cap for the year ended 31 December 2019 under the Framework Purchase Agreement was RMB500 million and the total amount of purchase under the Framework Purchase Agreement during the year ended 31 December 2019 was approximately RMB317.9 million.

Longtianyong is a wholly-owned subsidiary of China Silver Group, the immediate and ultimate holding company of the Company. China Silver Group is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Longtianyong is an associate of China Silver Group under Rule 14A.13(1) of the Listing Rules, and hence a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

All of the FY2019 Related Party Transactions were connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Except for the transactions under the Framework Purchase Agreement described above, all other FY2019 Related Party Transactions were fully exempt from the requirements under Chapter 14A of the Listing Rules pursuant to the de minimis threshold of HK$3 million under Rule 14A.76(1)(c) of the Listing Rules.

On behalf of the Board
Chen He
Chairman

Hong Kong, 28 August 2020

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

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

Notes:

(1) All interests are long positions.

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

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

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

Save as disclosed above, as of 30 June 2020, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

So far as known to the Directors, the register of substantial shareholders required to be kept by our Company under Section 336 of Part XV of the SFO shows that as of 30 June 2020, 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.

Name of Shareholder	Capacity/Nature of interest	Number of Shares[1]	Approximate percentage of interest in our Company
China Silver Group	Beneficial owner	500,000,033	40.39%
Blaze Loop Limited	Beneficial owner	166,025,000	13.41%
Mr. LIN Ting (林挺)[2]	Interest in controlled corporation	166,025,000	13.41%
Mr. YAO Runxiong (姚潤雄)	Beneficial owner	100,000,000	8.08%
Ascend Delight Holdings Limited	Beneficial owner	84,287,040	6.81%
Ms. XUE Meiqi (薛美琪)[3]	Interest in controlled corporation	84,287,040	6.81%

Notes:

(1) All interests are long positions.

(2) Blaze Loop Limited was formed under the Company's pre-IPO employee share scheme adopted on 6 June 2016 and reconstituted on 16 February 2017 (the "**Pre-IPO Employee Share Scheme**") and is directly wholly owned by Mr. Lin Ting. Accordingly, Mr. Lin Ting is deemed to be interested in the 166,025,000 Shares held by Blaze Loop Limited by virtue of the SFO. Mr. Lin Ting is an employee of the Group and the trustee under the Pre-IPO Employee Share Scheme.

(3) Ascend Delight Holdings Limited was formed under the Company's post-IPO employee share scheme adopted on 6 May 2019 (the "**Post-IPO Employee Share Scheme**") and is directly wholly owned by Ms. Xue Meiqi. Accordingly, Ms. Xue Meiqi is deemed to be interested in the 84,287,040 Shares held by Ascend Delight Holdings Limited by virtue of the SFO. Ms. Xue Meiqi is an employee of the Group and the trustee under the Post-IPO Employee Share Scheme.

Except as disclosed above, as of 30 June 2020, 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.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. During 1H2020, the Company had complied with the code provisions under the CG Code except for code provisions A.2.1 and E.1.2.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

Code provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting.

On 15 June 2020, the Company held the 2019 annual general meeting. The Chairman of the Board, Mr. Chen He, was unable to attend the abovementioned annual general meeting due to business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 had complied with the required standard of dealings as set out in the Model Code during 1H2020.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during 1H2020.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the financial reporting processes and risk management and internal control systems of the Group, and discussed with the external auditors the unaudited condensed consolidated financial statements for 1H2020. 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

NOMINATION COMMITTEE

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

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

REMUNERATION COMMITTEE

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

CHANGE OF DIRECTOR'S INFORMATION

Mr. Fu Lui has been the independent non-executive director, chairman of the audit committee, member of the remuneration committee and member of the nomination committee of Asia-express Logistics Holdings Limited (Hong Kong stock code: 8620) with effect from 23 March 2020.

APPENDIX 16 TO THE LISTING RULES

According to paragraph 40 of Appendix 16 to the Listing Rules headed "Disclosure of Financial Information", save as disclosed in this interim report, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the Company's 2019 annual report.

On behalf of the Board
Chen He
Chairman

Hong Kong, 28 August 2020

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of CSMall Group Limited (the "**Company**") and its subsidiaries set out on pages 30 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	216,745	709,768
Cost of sales		(167,553)	(599,334)
Gross profit		49,192	110,434
Other income		5,019	3,115
Other gains and losses		(72)	78
Impairment loss under expected credit loss model, net of reversal	11	(2,891)	(5,577)
Selling and distribution expenses		(13,858)	(16,976)
Administrative expenses		(25,432)	(32,953)
Net loss on termination of assignment contract in relation to acquisition of a land use right	9(i)	(26,656)	–
Finance costs		(760)	(216)
Other expenses		(1,164)	(8)
(Loss) profit before tax		(16,622)	57,897
Income tax expense	4	(1,905)	(16,881)
(Loss) profit and total comprehensive (expense) income for the period	5	(18,527)	41,016
		RMB	RMB
Basic (loss) earnings per share	7	(0.01)	0.04

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	10,803	11,228
Right-of-use assets	8	15,233	8,775
Deferred tax assets		8,457	4,058
Intangible assets	8	17,608	281
Refundable rental deposit		1,691	–
Deposits paid on acquisition of non-current assets	9	1,213	258,795
		55,005	283,137
CURRENT ASSETS			
Inventories		433,778	451,074
Trade and other receivables	10	482,938	455,842
Amount due from immediate holding company	16	12,018	12,779
Amounts due from fellow subsidiaries	16	50	262
Bank balances and cash		627,142	393,287
		1,555,926	1,313,244
CURRENT LIABILITIES			
Trade and other payables	12	137,800	101,771
Trade loans	13	19,428	19,428
Lease liabilities – current portion		8,103	5,340
Contract liabilities		4,112	10,080
Amounts due to fellow subsidiaries	16	3,462	2,634
Amounts due to related companies	16	9,010	9,010
Income tax payable		7,680	12,004
		189,595	160,267
NET CURRENT ASSETS		1,366,331	1,152,977
TOTAL ASSETS LESS CURRENT LIABILITIES		1,421,336	1,436,114
CAPITAL AND RESERVES			
Share capital	14	842	842
Share premium and reserves		1,413,252	1,431,779
TOTAL EQUITY		1,414,094	1,432,621
NON-CURRENT LIABILITY			
Lease liabilities – non-current portion		7,242	3,493
TOTAL EQUITY AND NON-CURRENT LIABILITY		1,421,336	1,436,114

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Contribution reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000 *(Note)*	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2019 (audited)	711	640,620	325,850	1,935	22,624	8	228,287	1,220,035
Profit and total comprehensive income for the period	–	–	–	–	–	–	41,016	41,016
At 30 June 2019 (unaudited)	711	640,620	325,850	1,935	22,624	8	269,303	1,261,051
At 1 January 2020 (audited)	**842**	**858,158**	**325,850**	**1,935**	**24,784**	**8**	**221,044**	**1,432,621**
Loss and total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(18,527)**	**(18,527)**
Transfer	**–**	**–**	**–**	**–**	**3,767**	**–**	**(3,767)**	**–**
At 30 June 2020 (unaudited)	**842**	**858,158**	**325,850**	**1,935**	**28,551**	**8**	**198,750**	**1,414,094**

Note: 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
(Loss) profit before tax	**(16,622)**	57,897
Adjustments for non-cash transactions and items associated with investing or financing activities	**36,345**	11,523
Operating cash flows before movements in working capital	**19,723**	69,420
Decrease (increase) in inventories	**17,548**	(38,693)
Decrease in trade and other receivables	**65,058**	151,471
Increase in trade and other payables	**1,543**	120,313
Increase in amounts due from fellow subsidiaries	**(50)**	(1,363)
Other operating activities	**(16,594)**	(23,794)
NET CASH FROM OPERATING ACTIVITIES	**87,228**	277,354
INVESTING ACTIVITIES		
Refund of deposits paid on acquisition of a land use right	**175,500**	–
Repayment from immediate holding company	**761**	971
Bank interest received	**710**	618
Repayment from fellow subsidiaries	**262**	–
Purchase of intangible assets	**(9,812)**	–
Deposit and other direct costs paid on acquisition of a land use right	**(6,016)**	(104,785)
Purchase of property, plant and equipment	**(651)**	(60)
Deposits paid on acquisition of plant and equipment	**(480)**	–
Advance to a fellow subsidiary	**–**	(13,501)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**160,274**	(116,757)
FINANCING ACTIVITIES		
Repayment of a trade loan	**(10,000)**	–
Repayment of leases liabilities	**(4,281)**	(3,296)
Interest paid	**(188)**	(216)
Advance from fellow subsidiaries	**828**	1,286
Repayment to a related company	**–**	(900)
NET CASH USED IN FINANCING ACTIVITIES	**(13,641)**	(3,126)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**233,861**	157,471
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**393,287**	269,007
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(6)**	(1)
CASH AND CASH EQUIVALENTS AT 30 JUNE, REPRESENTED BY BANK BALANCES AND CASH	**627,142**	426,477

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

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

1A. Significant events and transactions in the current interim period

The outbreak of the COVID-19 pandemic and the subsequent quarantine measures as well as the travel restrictions imposed by the PRC government have had negative impacts to the global economy and business environment and directly and indirectly affected the operations of the Company and its subsidiaries (collectively referred to as the "**Group**"). The Group postponed the resumption of operations after Chinese New Year until late February 2020 and terminated the assignment contract in relation to acquisition of a land use right in Huzhou, the PRC, after considering both the health and safety of employees and the mandatory government quarantine measures in Jiangxi, Shenzhen and Zhejiang where the Group has operations. On the other hand, the Hong Kong and the PRC government have announced some financial measures and support for corporates to overcome the negative impact arising from the COVID-19 pandemic. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue and profit, government grants in respect of COVID-19-related subsidies and net loss on termination of assignment contract in relation to acquisition of a land use right as disclosed in the relevant notes.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to IFRSs (continued)

2.1 Impacts of application on Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2020 **RMB'000** **(unaudited)**	2019 RMB'000 (unaudited)
Sales of gold products	**63,610**	384,016
Sales of silver products	**150,668**	224,332
Sales of gem-set and other jewellery products	**2,467**	101,420
	216,745	709,768

All of the revenue was recognised at a point in time during the six months ended 30 June 2020 and 2019.

(ii) Segment information

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

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

(iii) Geographical information

The Group's revenue is derived from the PRC, based on the location of customers. Therefore, no geographical information is presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("**EIT**")		
– Current period	**6,362**	19,049
– (Over)underprovision in respect of prior periods	**(58)**	950
	6,304	19,999
Deferred taxation for the period	**(4,399)**	(3,118)
	1,905	16,881

At the end of the reporting period, the Group has unused tax losses of RMB48,614,000 (31 December 2019: RMB20,431,000) available for offset against future profits. Included in unrecognised tax losses are losses of RMB43,949,000 (31 December 2019: RMB15,767,000) that will expire in various dates in 2020 to 2025 (31 December 2019: 2019 to 2024). Other losses may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Under the Law of the PRC on EIT (the "**EIT Law**") and its related implementation regulations, the Group's PRC subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both periods, except for Shenzhen Yunpeng Software Development Company Limited（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 six months ended 30 June 2020 and 2019, Shenzhen Yunpeng is subject to PRC EIT at a rate of 12.5%.

Under the EIT Law, withholding tax is imposed on dividends payable to non-PRC shareholders which is declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in these condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB420,210,000 as at 30 June 2020 (31 December 2019: RMB409,117,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	**167,553**	599,334
Depreciation of property, plant and equipment	**1,854**	1,881
Depreciation of right-of-use assets	**4,315**	3,376
Net exchange loss (gain)	**72**	(78)
Amortisation of intangible assets (included in administrative expenses and selling and distribution expenses)	**579**	1,091
Expenses on short-term leases in respect of retail shops	**408**	793

6. DIVIDENDS

No dividends were paid, declared or proposed for the ordinary shareholders of the Company during the current interim period (six months ended 30 June 2019: Nil). The directors of the Company have determined that no dividend will be paid in respect of the both interim periods.

7. BASIC (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(18,527)**	41,016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share (in thousand)	**1,237,875**	1,053,588
Basic (loss) earnings per share (RMB)	**(0.01)**	0.04

No diluted (loss) earnings per share for the six months ended 30 June 2020 and 2019 is presented as there were no potential dilutive shares in issue for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

During the current interim period, the Group acquired property, plant and equipment of RMB1,681,000 (six months ended 30 June 2019: RMB60,000) mainly for the office's leasehold improvements (six months ended 30 June 2019: office use).

During the current interim period, the Group entered into two new lease agreements for the use of office premises and showrooms (six months ended 30 June 2019: one new lease agreement for the use of warehouse and office premises). The Group is required to make fixed monthly payment during the contract period. On lease commencement, the Group recognised a right-of-use asset and a lease liability of RMB10,759,000 (six months ended 30 June 2019: RMB558,000).

In addition, during the current interim period, the Group spent RMB17,906,000 (six months ended 30 June 2019: Nil) for the Group's online platform and system enhancement.

9. DEPOSITS PAID ON ACQUISITION OF NON-CURRENT ASSETS

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Deposits paid on acquisition of a land use right *(Note i)*	**–**	248,938
Deposits paid on acquisition of intangible assets *(Note ii)*	**–**	8,094
Deposits paid on acquisition of plant and equipment *(Note iii)*	**1,213**	1,763
	1,213	258,795

Notes:

i. On 29 and 30 June 2020, Huzhou Baiyin Property Co., Ltd. (湖州白銀置業有限公司) ("**Huzhou Baiyin**"), an indirect wholly owned subsidiary of the Group, entered into a termination agreement with Huzhou South Taihu New District Management Committee (the "**Committee**") and Huzhou Municipal Bureau of Natural Resources and Planning (the "**Bureau**"), and a compensation agreement with the Committee, pursuant to which the Committee and the Bureau agreed to terminate the assignment contract entered into by Huzhou Baiyin in September 2018 for acquisition of the land use right over a piece of land located in Huzhou, the PRC (the "**Acquisition**"); and the Committee agreed to refund the deposits received amounting to RMB272,230,000 and compensate for (i) the capital expenditure and other expenses incurred by the Group in connection with the exploration, design and pre-construction works on the land; and (ii) certain taxes paid by another indirect wholly owned subsidiary of the Group.

As at 29 June 2020, the Group paid an aggregate amount of RMB232,500,000 of deposits and other direct costs of RMB22,454,000 in relation to the Acquisition. Deposits of RMB175,500,000 were received by the Group during the current interim period and a refundable amount of RMB96,730,000 was accounted as other receivables at 30 June 2020 as set out in note 10. As at 30 June 2020, total amount of RMB43,932,000 remained payable in relation to the direct costs and pre-construction works of the Acquisition. Respective net loss on termination of assignment contract in relation to the Acquisition of RMB26,656,000 was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

ii. As at 31 December 2019, the Group paid deposits of RMB8,094,000 for the Group's online platform and system enhancement. The acquisitions were completed during the six months ended 30 June 2020 and respective deposits paid were transferred to intangible assets.

iii. The amount represents deposits paid by the Group in relation with the acquisition of plant and equipment. The unsettled amount is disclosed as capital commitments in note 15.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

10. TRADE AND OTHER RECEIVABLES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade receivables for contracts with customers *(Note i)*	**234,638**	350,607
Less: allowance for credit loss	**(12,329)**	(9,438)
	222,309	341,169
Other receivables *(note 9(i))*	**96,730**	–
Deposits and prepayments	**45,021**	16,733
Prepayments to suppliers *(Note ii)*	**98,958**	74,957
Value-added tax ("**VAT**") recoverable	**19,920**	22,983
	482,938	455,842

Notes:

(i) The Group has pledged trade receivables with a carrying value of RMB75,000,000 at 30 June 2020 (31 December 2019: RMB75,000,000) to secure trade loans of the Group as set out in note 13.

(ii) Included in the balance are prepayments to a fellow subsidiary with a carrying amount of RMB33,273,000 (31 December 2019: RMB74,957,000).

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

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
0 – 30 days	**114,083**	169,388
31 – 60 days	**1,674**	43,469
61 – 90 days	**1,677**	2,507
Over 90 days	**104,875**	125,805
	222,309	341,169

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Details of impairment assessment of trade receivables for the six months ended 30 June 2020 and 2019 are set out in note 11.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Impairment loss recognised in respect of trade receivables, net of reversal	**2,891**	5,577

The basis of determining the inputs and assumptions and the estimation techniques used in these condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2019.

12. TRADE AND OTHER PAYABLES

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade payables		
0-30 days	**14,332**	34,450
31-60 days	**4,933**	–
61-90 days	**1,909**	–
91-180 days	**–**	–
181-365 days	**8,471**	12,220
Over 365 days	**327**	17,413
	29,972	64,083
Other payables and accrued expenses *(Note)*	**96,505**	29,096
Customer receipts in advance	**7,191**	5,969
VAT and other taxes payables	**4,132**	2,623
	137,800	101,771

Note: Included in the balance is an amount of RMB33,514,000 (31 December 2019: Nil) payable to Zhejiang Jifeng Geotechnical Technology Co., Ltd. (浙江績豐岩土技術有限公司) ("**Zhejiang Jifeng Geotechnical**") which represents pre-construction costs incurred in relation to the land use right as detailed in note 9(i) and remained outstanding at the end of the reporting period. During the six months ended 30 June 2020, total pre-construction costs incurred to Zhejiang Jifeng Geotechnical amounted to RMB37,514,000 (six months ended 30 June 2019: Nil). Mr. Chen Wantian, a director of China Silver Group is also a director (out of the twelve directors) of Zhejiang Jifeng Geotechnical and holds 5.44% equity interest therein.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. TRADE LOANS

During the current interim period, the Group (i) obtained a new trade loan amounting to RMB9,428,000 (six months ended 30 June 2019: Nil), and (ii) repaid a trade loan amounting to RMB10,000,000 (six months ended 30 June 2019: Nil). The trade loans carry interest at a fixed market rate of 5.66% per annum, which is also the effective interest rate during the six months ended 30 June 2020 and were secured by certain of the Group's assets as set out in note 17. The amounts would be due for repayment within one year.

14. SHARE CAPITAL

	Number of shares	Share capital	
		US$	RMB'000
Ordinary share of US$0.0001 each:			
Authorised			
At 1 January 2019, 30 June 2019, 31 December 2019 and 30 June 2020	3,000,000,000	300,000	2,062
Issued			
At 1 January 2019 and at 30 June 2019	1,053,588,000	105,358	711
Issue of new shares *(Note i)*	84,287,040	8,429	60
Issue of new shares *(Note ii)*	100,000,000	10,000	71
At 31 December 2019 and 30 June 2020	**1,237,875,040**	**123,787**	**842**

Notes:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. CAPITAL COMMITMENTS

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements:		
– Land use right	–	95,467
– Plant and equipment	620	1,100
– Intangible assets	–	12,140
	620	108,707

16. RELATED PARTIES DISCLOSURES

(i) Related parties transactions and balances

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

Name of related parties	Relationship	Nature of balances/ transactions	Six months ended 30 June 2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Jiangxi Longtianyong Nonferrous Metals Co., Ltd. (江西龍天勇有色金屬有限公司)	A fellow subsidiary of the Group and a subsidiary of China Silver Group *(Note i)*	Interest expenses on leases liabilities	57	–
		Lease liabilities *(Note ii)*	2,171	–
		Operating lease expenses	–	75
		Purchase of silver ingots	125,118	129,009
Shanghai White Platinum & Silver Exchange (上海華通鉑銀交易市場有限公司)	A fellow subsidiary of the Group and a subsidiary of China Silver Group *(Note i)*	Sales of jewellery products	44	14
Shanghai Zhaoyin Network Technology Co., Ltd. (上海找銀網絡 科技有限公司) ("Shanghai Zhaoyin")	A fellow subsidiary of the Group and a subsidiary of China Silver Group *(Note i & iii)*	Sales of jewellery products	–	42

16. RELATED PARTIES DISCLOSURES (continued)

(i) Related parties transactions and balances (continued)

(a) Saved as disclosed elsewhere in the condensed consolidated financial statements, the Group has following significant transactions and balances with related parties: (continued)

Notes:

(i) China Silver Group is the immediate and ultimate holding company of the Group.

(ii) During the year ended 31 December 2019, the Group entered into a lease agreement for the use of warehouse and office premises with the fellow subsidiary for 5 years. The Group has recognised an addition of right-of-use assets and lease liabilities of RMB2,652,000 and RMB2,652,000 respectively at the date of commencement of the lease.

(iii) On 15 June 2019, China Silver Group entered into an equity transfer agreement to dispose of 100% ownership of Shanghai Zhaoyin. Upon the completion of the transaction, Shanghai Zhaoyin ceased to be a fellow subsidiary and a subsidiary of China Silver Group, but remains as a related party of the Group since it is controlled by a close family member of a director of the immediate holding company.

(b) Except for the amount due from a fellow subsidiary of RMB50,000 (31 December 2019: Nil) having credit period of 30 days and aged within 30 days as at 30 June 2020 which were trade in nature, the amount due from immediate holding company, amounts due to fellow subsidiaries and amounts due to related companies as at 30 June 2020 and 31 December 2019 were non-trade in nature, unsecured, interest-free and repayable on demand.

(ii) Compensation of key management personnel

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term benefits	**2,088**	1,912
Post-employment benefits	**36**	34
	2,124	1,946

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. PLEDGE OF ASSETS

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Inventories	**30,000**	30,000
Trade receivables	**75,000**	75,000
	105,000	105,000

In addition, as at 30 June 2020 and 31 December 2019, the trade loans of the Group were secured by i) personal guarantees executed by Mr. Chen He (a director of the Company) and Mr. Chen Wantian (a director of China Silver Group) and their respective spouses; and ii) a corporate guarantee executed by China Silver Group.

18. FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE ON A RECURRING BASIS

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

19. MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions:

(i) During the six months ended 30 June 2020, the Group entered into a new lease agreement for the use of office premise and showrooms for 2 years. On the lease commencement, the Group recognised RMB10,759,000 (six months ended 2019: Nil) of right-of-use asset and RMB10,759,000 (six months ended 2019: Nil) of lease liabilities.

(ii) During the six months ended 30 June 2020, the Group entered into a reverse factoring agreement as disclosed in note 13 and trade payables amounting to RMB9,428,000 (six months ended 2019: Nil) was settled by trade loans.

20. EVENT AFTER REPORTING PERIOD

Subsequent to 30 June 2020, in regard to the termination of the Acquisition set out in note 9(i), the Group has further received RMB70,100,000 as compensation of capital expenditure and other expenses incurred in connection with the Acquisition. The remaining amount of the compensation is expected to be recovered within one year.