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

INTERIM REPORT 2020

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）

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

AUTHORISED REPRESENTATIVES

Chen Wantian
Chan Hon To

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
P.O. 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:

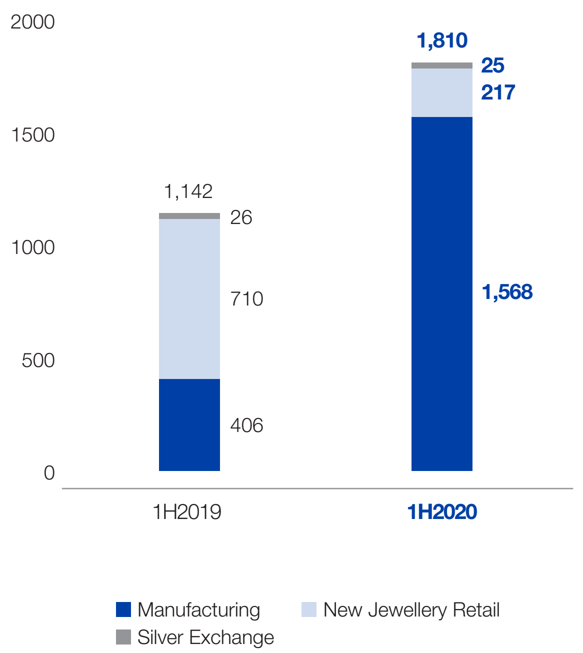
Conyers Dill & Pearman

INVESTORS AND MEDIA RELATIONS

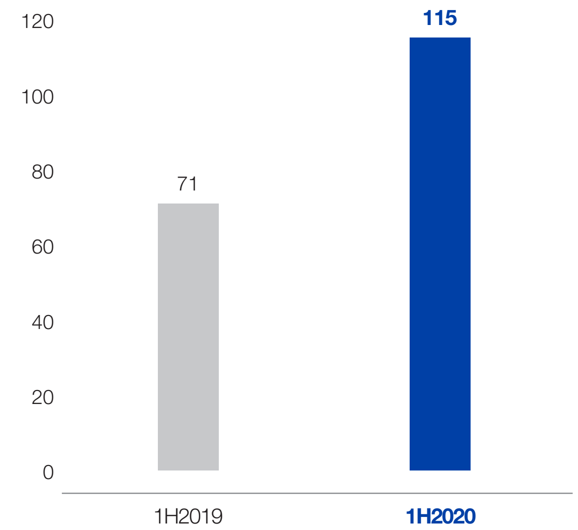
Hill and Knowlton Strategies

FINANCIAL HIGHLIGHTS

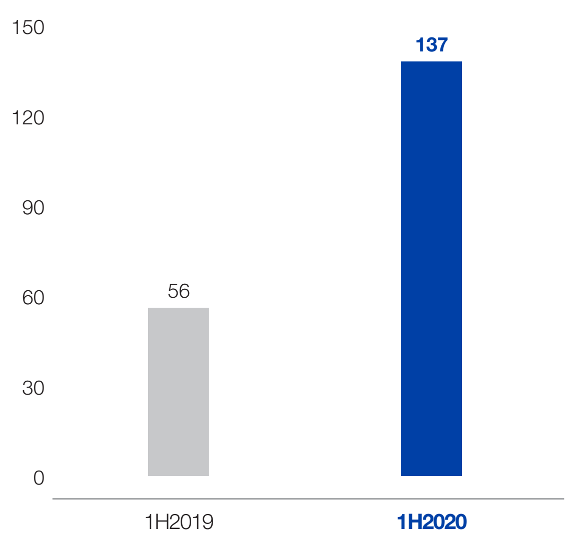
Revenue
(RMB million)



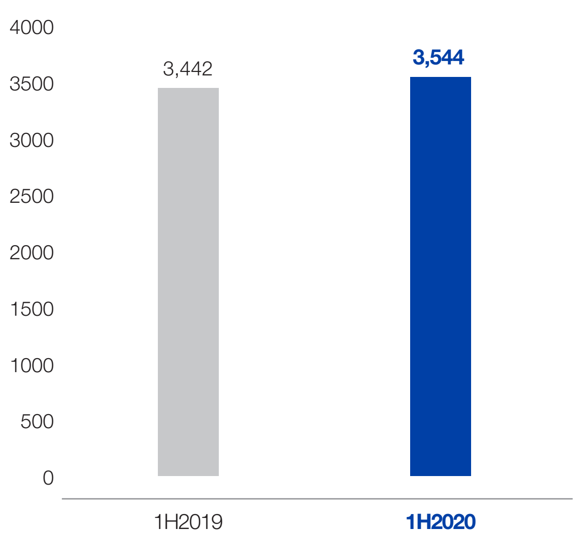
Profit Attributable to Owners of the Company (RMB million)



Segment Profit from Manufacturing segment (RMB million)



Net Assets
(RMB million)



OUR 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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Despite the impact of the outbreak of the pandemic of novel coronavirus ("**COVID-19**") in early 2020 on economic activities and the unstable global economy, in particular the Sino-US trade friction, the Group's Manufacturing segment realised strong segment profit growth during the six months ended 30 June 2020 ("**1H2020**"). As a result, profit attributable to owners of the Company recorded a significant increase of approximately 60.7% compared to the six months ended 30 June 2019 ("**1H2019**") to approximately RMB114.7 million for 1H2020.

The segment profit of the Manufacturing segment for 1H2020 increased to approximately RMB136.8 million (1H2019: RMB55.8 million), representing a significant increase of approximately 145.0% as compared to that for 1H2019. The strong segment profit growth of the Manufacturing segment during 1H2020 was mainly attributable to the Group's continuous optimization of its product mix by further increasing the proportion of precious metals including palladium.

During 1H2020, to cope with the uncertainties of the economic environment, the Group actively explored new business opportunities such as the market of palladium and other precious metals, and thus palladium realised massive growth in sales and became one of the Group's core precious metal products besides silver , as well as gold and gold alloy products (collectively "**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 mainly 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 large-scale enterprises. During 1H2020, we saw a massive growth in sale of palladium with the strong support from our suppliers, the increasing market demand for palladium and our extensive experience and expertise developed over the years, which led to a strong growth of our entire Manufacturing segment during the current period.

During 1H2020, the sales of silver ingots and palladium accounted for approximately 89.0% of the revenue of the Manufacturing segment, and is expected to increase continuously in the future. The Group continuously optimises the product mix and increasing the proportion of the precious metals, to cope with the market changes arising from the global economic instability and the downturn of the Chinese economy.

Since 2014, we have expanded 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) (together with its subsidiaries, collectively referred to as "**CSMall Group**"). Apart from leveraging our strengths and resources in the upstream business, CSMall Group has optimized its sales and marketing strategies and gradually shifted its focus to high-margin silver jewellery products. Sales of CSMall Group for 1H2020 amounted to approximately RMB216.7 million, representing approximately 12.0% of our total revenue for the corresponding period (1H2019: 62.2%). Furthermore, CSMall Group recorded a segment loss of approximately RMB16.3 million for 1H2020 (1H2019: segment profit of approximately RMB58.1 million) due to the temporary suspension of business and weak consumer sentiment in the PRC resulting from the outbreak of the COVID-19 and a one-off net loss from terminating the acquisition of a land use right in June 2020. Excluding the one-off net loss on termination of assignment contract in relation to acquisition of a land use right of approximately RMB26.7 million, CSMall Group would have contributed a segment profit of approximately RMB10.4 million.

Shanghai White Platinum & Silver Exchange* (上海華通鉑銀交易市場有限公司 or "**Shanghai Huatong**"), an operator of an integrated silver exchange platform in the PRC under the Group, is in charge of our another downstream business segment in relation to silver trading. For 1H2020, the Silver Exchange segment contributed a segment profit of approximately RMB19.0 million (1H2019: RMB11.0 million), representing an increase of approximately 73.6% as compared to that for 1H2019.

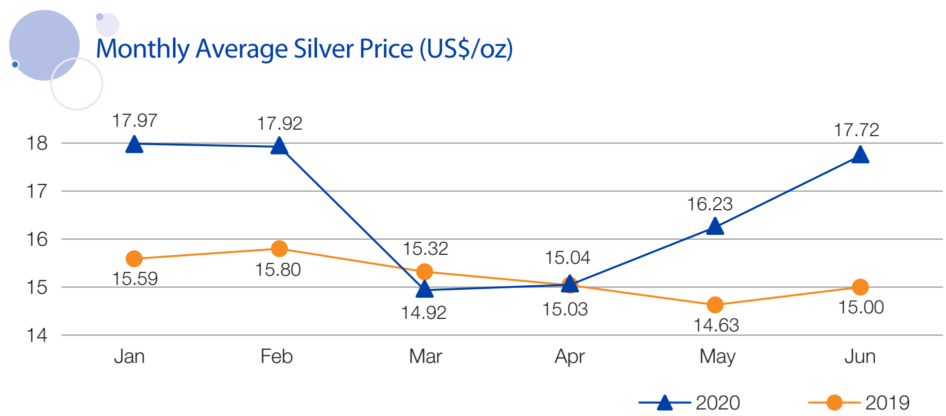
We recorded gross profit of approximately RMB221.4 million (1H2019: RMB199.6 million) for 1H2020, representing an increase of approximately 10.9% as compared to that for 1H2019, mainly due to the substantial increase in gross profit of our Manufacturing segment, which offset the decrease in gross profit of the New Jewellery Retail segment operated under CSMall Group. The overall gross profit margin of the Group decreased from approximately 17.5% for 1H2019 to approximately 12.2% for 1H2020, which is mainly due to the change in product mix of the Manufacturing segment with an increase in the sales of palladium which has a relatively lower margin.

Overall, profit attributable to owners of the Company for 1H2020 increased to approximately RMB114.7 million, representing a significant increase of approximately 60.7% as compared to that for 1H2019. This is mainly because of the strong growth in sales of precious metals under the Manufacturing segment, offsetting the decline in sales of the New Jewellery Retail segment due to external economic impact.

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

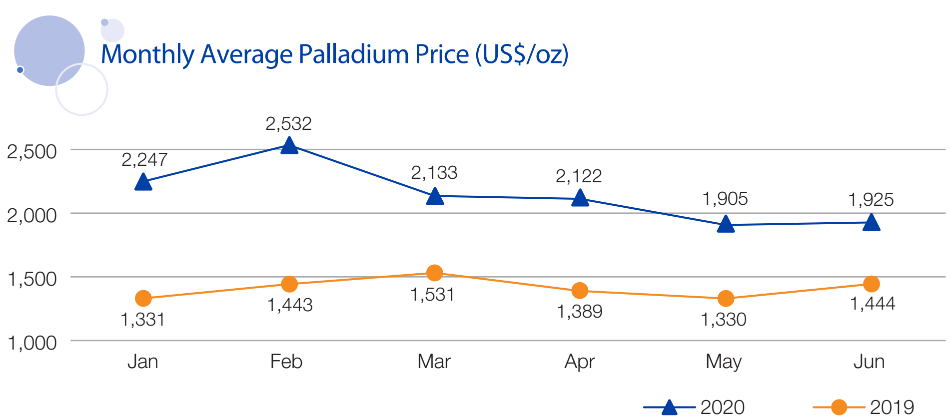
Manufacturing Segment

The Group applied a proprietary production model to manufacture high quality silver ingots, Gold Products, palladium and other precious metals and the metal by-products derived therefrom. During 1H2020, we sold approximately 13 tonnes (1H2019: 46 tonnes) of silver ingots to our customers and produced approximately 36 tonnes (1H2019: 41 tonnes) of silver ingots. During 1H2020, the global silver market fluctuated somewhat. The graph below shows the change in international silver price quoted on the London Bullion Market Association from January 2020 to June 2020 and for the corresponding period of last year:



Source: The London Bullion Market Association

Due to the continued strong market price of palladium, the Group recorded sales of approximately RMB1,352.0 million for 1H2020 (1H2019: RMB15.5 million) following the strong growth recorded continuously in the sales of palladium in the previous year. The breakthrough into the palladium market led to an explosive surge in the Group's sales under the Manufacturing segment to approximately RMB1,568.3 million (1H2019: RMB406.2 million), up by approximately 286.0% over 1H2019. The graph below shows the change in international palladium price quoted on the London Bullion Market Association from January 2020 to June 2020 and for the corresponding period of last year:



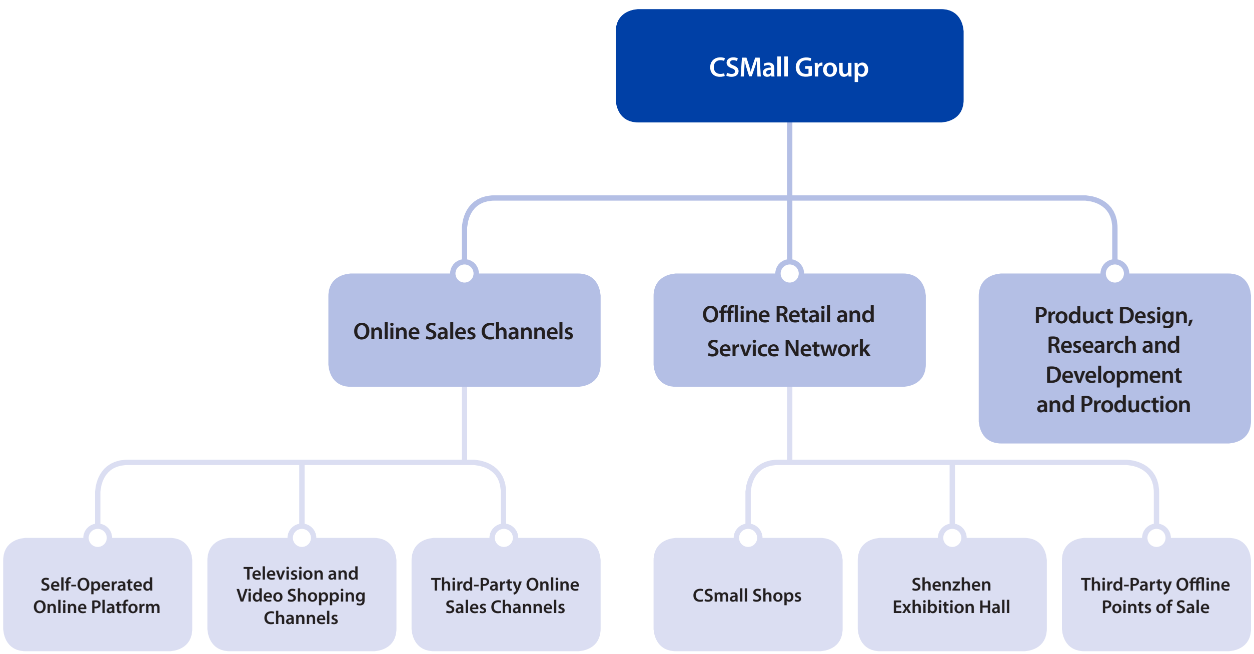
Source: The London Bullion Market Association

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

During 1H2020, CSMall Group recorded sales of approximately RMB216.7 million (1H2019: RMB709.7 million), representing a significant decrease of approximately 69.5% as compared to that for the corresponding period in 2019, mainly due to COVID-19, the Sino-US trade war and the slowdown in the PRC's economic growth, which have had a negative impact on the PRC's retail market.

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.

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



Online Sales Channels

(i) 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.

(ii) 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.

(iii) 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.

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. 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
Zhejiang	49
Anhui	7
Jiangsu	7
Henan	6
Shanghai	6
Fujian	4
Inner Mongolia	4
Shaanxi	4
Shandong	4
Tianjin	4
Heilongjiang	3
Hubei	3
Jiangxi	3

Province/ municipality	Number of shops
Sichuan	3
Beijing	2
Chongqing	2
Xinjiang	2
Yunnan	2
Guangdong	1
Hainan	1
Hebei	1
Hunan	1
Jilin	1
Liaoning	1
Ningxia	1
Shanxi	1

Total
123

(ii) Shenzhen Exhibition Hall

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

(iii) Third-party offline points of sale

We 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.

Silver Exchange Segment

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

Prospects

In 1H2020, with the outbreak of COVID-19, the global political and economic situations remain turbulent. The ongoing Sino-US trade dispute has brought uncertainties to the global economy, which resulted in fluctuations in silver price. Fluctuations in the exchange rate of Chinese Yuan and stock market corrections have impeded consumer confidence to a certain extent; consumers have been spending more prudently than they were in the past. With the growth of risk-aversion sentiment around the world, gold and silver prices have seen a surge in the international market.

The unstable factors mentioned above will continue to cast a shadow over the global and Chinese economy for a prolonged period, and a greater demand for hedge assets such as silver, gold and other precious metals will gradually emerge in the market. In particular, there is a larger room for growth in the demand for silver in the foreseeable future due to the absolute high level and higher safety margin of the gold-to-silver ratio, and we have seen an astonishing growth in the demand for palladium in the market in recent years. We therefore remain fully confident in the manufacture and sale of precious metals including silver, Gold Products and palladium in China. Based on the Group's forward-looking strategic planning and strong execution power as well as the Group's continuous optimisation of product mix, including an increase in sales and production of palladium, it is expected that the revenue from the sale of precious metals including silver, Gold Products and palladium will account for more than 90% of the Manufacturing segment for the full year of 2020, and the rest will be contributed by the metal by-products generated in the process of manufacturing the abovementioned precious metal products. This demonstrates that after the continuous optimisation of product mix over the years, the Group has transformed into an integrated silver, gold, palladium and precious metals enterprise mainly with the manufacture and sale of silver, gold, palladium and other precious metals as its core business.

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

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

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 so as to embrace the economic recovery after the COVID-19 outbreak.

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

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

FINANCIAL REVIEW

Revenue

The revenue of the Group for 1H2020 was approximately RMB1,809.8 million (1H2019: RMB1,141.9 million), representing a significant increase of approximately 58.5% from that of 1H2019.

	1H2020		1H2019	
	Revenue RMB'000	% of revenue	Revenue RMB'000	% of revenue
Manufacturing segment				
Sale of silver ingots	**43,555**	**2.4%**	140,973	12.3%
Sale of palladium	**1,351,991**	**74.7%**	15,526	1.4%
Sale of other metal by-products	**172,776**	**9.5%**	249,750	21.8%
	1,568,322	**86.6%**	406,249	35.5%
New Jewellery Retail segment operated under CSMall Group				
Sale of gold, silver and jewellery products	**216,701**	**12.0%**	709,712	62.2%
Silver Exchange segment				
Commission and related service income	**24,822**	**1.4%**	25,962	2.3%
Total	**1,809,845**	**100.0%**	1,141,923	100.0%

Manufacturing segment

Sales of silver ingots decreased from approximately RMB141.0 million for 1H2019 to approximately RMB43.6 million for 1H2020, representing a significant decrease of approximately 69.1% as compared to that for 1H2019, mainly due to the significant decrease in demand for industrial and consumer accessories due to the COVID-19 epidemic.

The average selling price of silver ingots (value-added tax exclusive) slightly increased from approximately RMB3.0 million per tonne for 1H2019 to approximately RMB3.4 million per tonne for 1H2020. Sales volume of silver ingots decreased from approximately 46 tonnes for 1H2019 to approximately 13 tonnes for 1H2020 due to the decrease in demand.

Due to the continued strong market price of and demand for palladium, the Group recorded sales of palladium of approximately RMB1,352.0 million for 1H2020 (1H2019: RMB15.5 million), representing an explosive surge of approximately 8,607.9% as compared to that for 1H2019. The growth in sales of palladium has led to an increase in the Group's sales for the Manufacturing segment to approximately RMB1,568.3 million (1H2019: RMB406.2 million), up by approximately 286.0% over 1H2019.

Other metal products such as lead ingots, zinc oxide, bismuth ingots and antimony ingots are produced during the production of silver ingots and palladium. Sales of other metal products decreased from approximately RMB249.8 million for 1H2019 to approximately RMB172.8 million for 1H2020.

New Jewellery Retail segment operated under CSMall Group

During 1H2020, CSMall Group recorded sales of approximately RMB216.7 million (1H2019: RMB709.7 million), representing a significant decrease of approximately 69.5% as compared to that for 1H2019, mainly due to the COVID-19 outbreak, the Sino-US trade war and the slowdown in the PRC's economic growth, which have had a negative impact on the PRC's retail market, causing consumer sentiment to remain weak during the period.

Silver Exchange segment

During 1H2020, the Silver Exchange segment recorded sales of approximately RMB24.8 million (1H2019: RMB26.0 million), representing a slight decrease of approximately 4.4% as compared to 1H2019, 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 during the current period. 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 the purchase price. The amount increased mainly due to the increase in the usage of raw materials for production during 1H2020.

New Jewellery Retail segment operated under CSMall Group

Cost of sales mainly represents cost of materials used for the production of gold, silver and jewellery products. Except for silver, other materials like gold, amber and diamond are sourced from independent third parties. The amount decreased mainly due to the decrease in the segment sales during 1H2020.

Silver Exchange segment

Cost of sales and services provided mainly represents direct expenses incurred for trading of silver and the operation of the online exchange platform. The amount decreased mainly due to the decrease in transaction volume during 1H2020.

Gross Profit and Gross Profit Margin

We recorded gross profit of approximately RMB221.4 million (1H2019: RMB199.6 million) for 1H2020, an increase of approximately 10.9% as compared to that for 1H2019, mainly due to the substantial increase in gross profit of our Manufacturing segment, which offset the decrease in gross profit of the New Jewellery Retail segment operated under CSMall Group. The overall gross profit margin decreased from approximately 17.5% for 1H2019 to approximately 12.2% for 1H2020 mainly due to the increased contribution of palladium which has a relatively lower margin to the sales of the Manufacturing segment for 1H2020 as compared to that for 1H2019.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 21.6% from approximately RMB18.3 million to approximately RMB14.3 million for 1H2020, mainly due to the decrease in advertising and promotion expenses of the New Jewellery Retail segment as a result of the temporary suspension of business during the COVID-19 pandemic.

Administrative Expenses

Administrative expenses decreased by approximately 24.7% from approximately RMB63.1 million for 1H2019 to approximately RMB47.5 million for 1H2020, mainly due to the decrease in staff cost as a result of a decrease in the average number of staff members in 1H2020.

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 under CSMall 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

Income tax expenses increased by approximately 4.9% from approximately RMB22.9 million for 1H2019 to approximately RMB24.0 million for 1H2020 mainly due to an increase in profit before tax as a result of the strong growth in the Manufacturing segment, offsetting the decline in sales of the New Jewellery Retail segment due to external economic impact.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company significantly increased from approximately RMB71.4 million for 1H2019 to approximately RMB114.7 million for 1H2020 mainly due to the strong growth in sales of palladium under the Manufacturing segment, offsetting the decline in sales of the New Jewellery Retail segment.

Inventories, Trade Receivables and Trade and Bills Payables Turnover Cycle

The Group's inventories mainly comprise ore powder, smelting slag, recycled materials and raw materials of jewellery products. For 1H2020, inventory turnover days were approximately 260.5 days (for the year ended 31 December 2019: 237.2 days) mainly due to the increased closing inventory under the Manufacturing segment to meet the demand in the second half of the year.

The turnover days for trade receivables for 1H2020 were approximately 35.9 days (for the year ended 31 December 2019: 28.0 days) mainly due to the delay in repayment from certain customers affected by the COVID-19 outbreak.

The turnover days for trade and bills payables for 1H2020 were approximately 13.3 days (for the year ended 31 December 2019: 17.3 days), which was comparable to that of the corresponding period in the previous year.

Borrowings

As of 30 June 2020, the Group's bank and other borrowings balance amounted to approximately RMB167.5 million (as of 31 December 2019: RMB110.0 million). The amounts are secured by certain assets of the Group and will be due for repayment within one year. Among them, approximately RMB164.5 million carried at fixed interest rates, and approximately RMB3.0 million carried at floating interest rates.

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

The Group's net gearing ratio was calculated on the basis of total bank and other borrowings and 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 –21.9% (as of 31 December 2019: –14.0%).

Pledge of Assets

As of 30 June 2020, assets with the following carrying amounts were pledged to secure its general borrowings facilities.

	30 June 2020 RMB'000	31 December 2019 RMB'000
– Property, plant and equipment	**31,366**	32,809
– Leasehold lands included in right-of-use assets	**17,045**	17,262
– Inventories	**413,641**	172,782
– Trade receivables	**75,000**	75,000
– Restricted bank balances	**47,000**	–
	584,052	297,853

Capital Expenditures

For 1H2020, the Group invested approximately RMB10.1 million in property, plant and equipment (1H2019: RMB1.9 million).

Capital Commitments

	30 June 2020 RMB'000	31 December 2019 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements		
– Land use right	**–**	95,467
– Property, plant and equipment	**8,455**	1,100
– Intangible assets	**–**	36,451
	8,455	133,018

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 749 staff members (as of 31 December 2019: 1,085 staff members) and the total remuneration for 1H2020 amounted to approximately RMB28.8 million (1H2019: RMB40.3 million). The Group's remuneration packages are in line with the current legislation in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during the current interim period. The Group was principally financed by internal resources, trade loans and bank and other borrowings. The Group's principal financial instruments comprise bank balances and cash, restricted bank balances, trade and other receivables, trade, bill and other payables, trade loans and bank and other borrowings. As of 30 June 2020, the bank balances and cash, net current assets and total assets less current liabilities were approximately RMB964.4 million (as of 31 December 2019: RMB610.7 million), RMB3,236.6 million (as of 31 December 2019: RMB2,922.2 million) and RMB3,584.5 million (as of 31 December 2019: RMB3,469.4 million), respectively. As of 30 June 2020, the Group had bank and other borrowings and trade loans amounting to approximately RMB167.5 million and RMB19.4 million respectively (as of 31 December 2019: RMB110.0 million and RMB19.4 million).

Interim Dividend

The Board 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 under CSMall 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 10(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 under CSMall 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.

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 IMPAIRMENT LOSS ON GOODWILL FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2019

The Goodwill

During the year ended 31 December 2016, a goodwill in relation to the cash-generating unit of the Silver Exchange segment (the "**Goodwill**") arose when the Company's interest in Shanghai White Platinum & Silver Exchange（上海華通鉑銀交易市場有限公司）increased from 25% to 100% following an acquisition. The Goodwill initially amounted to approximately RMB407.3 million, on which no impairment was made during the years ended 31 December 2016 and 2017. Please refer to pages 102 and 114-116 (Notes 16 and 30) of the 2016 Annual Report as well as pages 105 and 117-119 (Notes 16 and 30) of the 2017 Annual Report for details.

The 2018 Impairment

During the year ended 31 December 2018, an impairment of approximately RMB77.1 million (the "**2018 Impairment**") was made on the Goodwill "*due to strengthening of PRC government policy for monitoring and compliance and recession of silver trading market leading to the decrease in expected results*". As a result, the carrying value of the Goodwill decreased from approximately RMB407.3 million to approximately RMB330.3 million. Please refer to pages 108-109 (Note 17) of the 2018 Annual Report for details.

The 2018 Impairment was made mainly due to the following reasons:

- ***Strengthened regulatory policies***. In October 2018, the Shanghai Municipal Commission of Commerce（上海市商務委員會）invited various exchange platform operators in Shanghai to attend a thematic conference, during which the following policies were put forward: (i) operators were required to conduct enhanced background checks, record keeping and risk warnings in respect of new clients for better risk management (the "**Enhanced Client Due Diligence**"); and (ii) operators were encouraged to connect themselves to a unified clearing platform for better segregation of client money and more stringent regulatory supervision of capital (the "**Unified Clearing Platform Connection**"; together with the Enhanced Client Due Diligence, the "**Regulatory Policies**"). The Regulatory Policies were expected to pose an adverse impact on the future growth of the Silver Exchange segment, which impact was manifested in the decline in both the number of active users and the transaction volume of the Silver Exchange segment in late 2018 to 2019 as explained in the paragraph headed "The 2019 Impairment" below.

- ***Decrease in revenue***. For the year ended 31 December 2018, the revenue of the Silver Exchange segment saw a year-on-year decrease of approximately 34.8% "*mainly due to the waiver of membership fees during the year and the downsizing of commission income*", as disclosed on page 13 of the 2018 Annual Report. Such decrease in revenue began in the second half of 2018, and reflected a decline in the future cash-generating ability of the Silver Exchange segment.

The 2019 Impairment

During the year ended 31 December 2019, a further impairment of approximately RMB330.3 million (the "**2019 Impairment**") was made on the Goodwill "*due to continuing decrease of transaction volume and number of members under the less favourable domestic policy in relation to the silver exchange platform*". As a result, the carrying value of the Goodwill decreased from approximately RMB330.3 million to zero. Please refer to pages 112-113 (Note 19) of the 2019 Annual Report for details.

The 2019 Impairment represented a complete write-off of the remaining Goodwill and was made mainly due to the following reasons:

- ***Effect of the Regulatory Policies***. As a result of the Regulatory Policies, the number of active users and the transaction volume of the Silver Exchange segment both suffered a decline in 2019. Specifically, (i) the Enhanced Client Due Diligence resulted in higher eligibility thresholds and lengthened approval processes for new clients, which led to fewer new clients being admitted to the silver exchange platform; and (ii) the Unified Clearing Platform Connection necessitated adjustments being made to the silver exchange platform in terms of technology standards, business processes and customer experience, which adversely affected the transaction volume on the platform.

- ***Further decrease in revenue***. For the year ended 31 December 2019, the revenue of the Silver Exchange segment saw a further year-on-year decrease of approximately 53.7% "*mainly due to the decrease in transaction volume of trading silver ingots*", as disclosed on page 12 of the 2019 Annual Report. This was mainly attributable to (i) the effect of the Regulatory Policies as explained above; (ii) the ongoing Sino-US trade tensions, which led to fewer silver transactions in 2019 originating from large-scale trading companies; and (iii) the generally stable demand levels and spot prices for silver in 2019 as compared to those in 2012 to 2018, which led to an overall lower trading volume in the international silver market. Such decrease in revenue reflected a further decline in the future cash-generating ability of the Silver Exchange segment.

- ***Gloomy economic outlook***. The global economic downturn in 2019 and early 2020 resulted in weak consumer sentiment and hence a gloomy economic outlook in the PRC, dampening the growth prospects of the Silver Exchange segment.

Details of the Valuation Reports Prepared to Support the 2018 Impairment and the 2019 Impairment

For the purpose of determining the amount of impairment (if any) to be made on the Goodwill, for each of the years ended 31 December 2018 and 2019, an independent valuer was engaged to prepare a valuation report on the recoverable amount of the Silver Exchange segment as at the corresponding year-end date.

Set forth below are the details of the valuation reports prepared to support the 2018 Impairment and the 2019 Impairment, including the key inputs adopted in the valuations:

	Valuation report supporting the 2018 Impairment	**Valuation report supporting the 2019 Impairment**
Measurement date of recoverable amount, i.e. appraisal benchmark date	31 December 2018	31 December 2019
Name of independent valuer	ValQuest Advisory Group Limited（瀚維諮詢有限公司）	ValQuest Advisory (Hong Kong) Limited（中誠達行（香港）有限公司）
Revenue for the present year	RMB102,964,000 (representing a year-on-year decrease of 34.8%) *(Note 1)*	RMB48,444,000 (representing a year-on-year decrease of 53.0%) *(Note 1)*
Projected annual revenue growth rates for the next five years *(Note 2)*	+6.0% to +12.3%	-10.5% to +5.1% *(Note 3)*
Projected earnings before interest and taxes ("**EBIT**") margins for the next five years *(Note 2)*	70.9% to 78.6%	50.4% to 55.6% *(Note 3)*
Weighted average cost of capital ("**WACC**") *(Note 2)*	21.2%	21.0% *(Note 4)*
Perpetuity growth rate beyond five years *(Note 2)*	3.0%	2.0% *(Note 5)*
Valuation method used and reasons for adopting such method	The income approach was adopted because the independent valuer considered that such approach was consistent with the requirements of the corresponding accounting standard, HKAS 36, in estimating the value in use of the Silver Exchange segment.	

Notes:

1. The year-on-year decreases in the 2018 and 2019 revenue figures adopted in the valuations were in line with the declining performance of the Silver Exchange segment.

2. In determining the projected annual revenue growth rates, projected EBIT margins, WACC value, perpetuity growth rate and other key inputs adopted in the valuations, the independent valuer primarily took into account the following factors: (i) the financial and operating conditions of the Silver Exchange segment as at the appraisal benchmark date; (ii) the external economic factors affecting the industry and market to which the Silver Exchange segment belongs as well as other external competitive factors affecting the conducting of business of the Silver Exchange segment; (iii) the business and industry prospects of the Silver Exchange segment; (iv) the business risks of the Silver Exchange segment; (v) the degree of recognition of the brands owned by the Silver Exchange segment; (vi) the market data of listed comparable companies engaged in similar businesses to the Silver Exchange segment; and (vii) the reasonableness of the financial projections and major assumptions provided by management.

   In this regard, the independent valuer primarily made reference to and relied on the following sources of information: (i) the financial information of the Silver Exchange segment as at the appraisal benchmark date; (ii) the financial projections and major assumptions in respect of the Silver Exchange segment provided by management; (iii) the outcome of other discussions with management and related documents; and (iv) public market information (e.g. Bloomberg).

3. The lower projected annual revenue growth rates and projected EBIT margins adopted in the valuation for 2019 were attributable to (i) the fact that the actual revenue for 2019 significantly fell short of the projected value adopted in the valuation for 2018; and (ii) the pessimistic outlook of the Silver Exchange segment as explained in the paragraph headed "The 2019 Impairment" above.

   The projected annual revenue growth rates adopted in the valuation for 2019 were -10.5% for 2020, +2.5% for 2021, +5.1% for 2022, +2.3% for 2023, and +2.1% for 2024. These figures were determined based on the following projections for the next five years: (i) decreasing (for 2020, as compared to 2019) and then generally stable (for 2021 to 2024) commission income from the trading of silver; (ii) gradually increasing commission income from the trading of palladium; and (iii) gradually increasing conference sponsorship income.

   The projected EBIT margins adopted in the valuation for 2019 were 55.6% for 2020, 52.9% for 2021, 52.7% for 2022, 50.4% for 2023, and 51.1% for 2024. These figures were arrived at on the basis of (i) projected annual revenue; minus (ii) various projected costs and expenses which were largely in line with the year-on-year changes in projected annual revenue.

4. The lower WACC value adopted in the valuation for 2019 reflected the Group's exposure to lower forecast risks due to more conservative financial projections adopted and favourable changes in other market data (e.g. risk-free rate). Specifically, such WACC value was determined partly with reference to the market data of six exchange platform operators listed in Japan, the United States (NASDAQ), the United States (NYSE), Brazil, Germany and Malaysia, respectively.

5. The lower perpetuity growth rate adopted in the valuation for 2019 was determined primarily with reference to (i) the decline in the global economic growth rate; (ii) China's inflation rate (as reflected by the multi-year average year-on-year rate of increase in the consumer price index); and (iii) the Directors' best estimate of the average growth rate of the specific industry to which the Silver Exchange segment belongs.

On behalf of the Board
Chen Wantian
Chairman

Hong Kong, 28 August 2020

* *For identification purpose only*

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:

(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 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.

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.

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 37.01% 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 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.

SHARE OPTION SCHEMES

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

Details of the movement of the share options granted under the 2012 Scheme during the six months ended 30 June 2020 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1 January 2020	Exercised during the period	Outstanding as of 30 June 2020
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	20 August 2014	HK$2.20	20 August 2015 – 19 August 2024	22,200,000	–	22,200,000
	2 January 2015	HK$1.80	2 January 2016 – 1 January 2025	44,800,000	–	44,800,000
				73,200,000	–	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 of 30 June 2020.

Details of the movement of the share options granted under the 2015 Scheme during the six months ended 30 June 2020 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1 January 2020	Exercised during the period	Outstanding as of 30 June 2020
Employees						
In aggregate	27 August 2015	HK$1.97	27 August 2016 – 26 August 2025	81,000,000	–	81,000,000
				81,000,000	–	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 of 30 June 2020.

Notes:

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

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

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

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

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

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

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

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

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

4. No share option granted under the 2012 Scheme and the 2015 Scheme was exercised during the six months ended 30 June 2020.

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 the following deviations:

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

Pursuant to code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, two independent non-executive Directors were unable to attend the annual general meeting held on 15 June 2020.

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 THE 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, Dr. Zeng Yilong (Chairman), Mr. Song Hongbing and Dr. Li Haitao . The primary responsibilities of the Audit Committee are to review and supervise the financial reporting processes and risk management and internal control systems of the Group.

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

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 Wantian (Chairman), Mr. Song Hongbing and Dr. Li Haitao, with the latter two being independent non-executive Directors.

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

REMUNERATION COMMITTEE

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

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

APPENDIX 16 TO THE LISTING RULES

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

On behalf of the Board
Chen Wantian
Chairman

Hong Kong, 28 August 2020

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Silver Group Limited (the "**Company**") and its subsidiaries set out on pages 31 to 52, 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** **RMB'000** **(unaudited)**	 2019 RMB'000 (unaudited)
Revenue	4	**1,809,845**	1,141,923
Cost of sales and services provided		**(1,588,429)**	(942,318)
Gross profit		**221,416**	199,605
Other income		**7,073**	5,367
Other gains and losses		**822**	475
Impairment loss under expected credit loss model, net of reversal	12	**(2,307)**	(3,342)
Selling and distribution expenses		**(14,310)**	(18,257)
Administrative expenses		**(47,487)**	(63,100)
Finance costs		**(5,185)**	(2,441)
Research and development expenses		**(1,086)**	(1,233)
Net loss on termination of assignment contract in relation to acquisition of a land use right	10(i)	**(26,656)**	–
Other expenses		**(4,858)**	(60)
Profit before tax		**127,422**	117,014
Income tax expense	5	**(24,024)**	(22,892)
Profit for the period	6	**103,398**	94,122
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on investment in an equity instrument at fair value through other comprehensive income ("**FVTOCI**")		**(1,544)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**–**	(23)
Total comprehensive income for the period		**101,854**	94,099
Profit (loss) for the period attributable to:			
Owners of the Company		**114,661**	71,372
Non-controlling interests		**(11,263)**	22,750
		103,398	94,122
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**113,117**	71,349
Non-controlling interests		**(11,263)**	22,750
		101,854	94,099
Earnings per share	8	**RMB**	RMB
Basic		**0.070**	0.044
Diluted		**0.070**	0.044

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	9	**143,834**	142,994
Right-of-use assets	9	**31,356**	25,369
Intangible assets	9	**101,531**	88,464
Refundable rental deposits		**2,014**	–
Deferred tax assets		**14,073**	6,756
Equity instrument at FVTOCI		**7,419**	8,963
Deposits paid on acquisition of non-current assets	10	**47,660**	274,682
		347,887	547,228
CURRENT ASSETS			
Inventories		**2,215,583**	2,306,228
Trade and other receivables	11	**812,733**	490,185
Restricted bank balances	13	**53,050**	25,345
Bank balances and cash		**964,364**	610,679
		4,045,730	3,432,437
CURRENT LIABILITIES			
Trade, bills and other payables	14	**519,009**	284,233
Trade loans	15	**19,428**	19,428
Lease liabilities – current portion		**8,710**	5,926
Contract liabilities		**74,039**	57,653
Deferred income		**2,067**	715
Income tax payable		**18,384**	32,311
Bank and other borrowings	16	**167,500**	110,000
		809,137	510,266
NET CURRENT ASSETS		**3,236,593**	2,922,171
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,584,480**	3,469,399

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTE	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	17	**13,275**	13,275
Share premium and reserves		**2,687,091**	2,573,974
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**2,700,366**	2,587,249
Non-controlling interests		**843,143**	854,406
TOTAL EQUITY		**3,543,509**	3,441,655
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**19,220**	20,586
Lease liabilities – non-current portion		**5,676**	2,220
Deferred income		**16,075**	4,938
		40,971	27,744
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**3,584,480**	3,469,399

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	Share options reserve RMB'000	Capital reserve RMB'000 *(Note i)*	Statutory reserve RMB'000 *(Note ii)*	Exchange reserve RMB'000	FVTOCI reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019 (audited)	13,246	1,096,260	106,478	126,799	183,737	(2,736)	–	1,173,932	2,697,716	650,575	3,348,291
Profit for the period	–	–	–	–	–	–	–	71,372	71,372	22,750	94,122
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(23)	–	–	(23)	–	(23)
Total comprehensive (expense) income for the period	–	–	–	–	–	(23)	–	71,372	71,349	22,750	94,099
Lapse of share options	–	–	(14,639)	–	–	–	–	14,639	–	–	–
Capital injection from a non-controlling shareholder of a 40% owned subsidiary, Yongfeng County Tongsheng Microcredit Company Limited（永豐縣通盛小額貸款股份有限公司）("**Tongsheng**")	–	–	–	–	–	–	–	–	–	20,000	20,000
At 30 June 2019 (unaudited)	13,246	1,096,260	91,839	126,799	183,737	(2,759)	–	1,259,943	2,769,065	693,325	3,462,390
At 1 January 2020 (audited)	13,275	1,100,342	91,709	129,731	185,892	(2,736)	–	1,069,036	2,587,249	854,406	3,441,655
Profit (loss) for the period	–	–	–	–	–	–	–	114,661	114,661	(11,263)	103,398
Fair value loss on investment in an equity instrument at FVTOCI	–	–	–	–	–	–	(1,544)	–	(1,544)	–	(1,544)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(1,544)	114,661	113,117	(11,263)	101,854
Transfer	–	–	–	–	31,245	–	–	(31,245)	–	–	–
At 30 June 2020 (unaudited)	13,275	1,100,342	91,709	129,731	217,137	(2,736)	(1,544)	1,152,452	2,700,366	843,143	3,543,509

Notes:

(i) The capital reserve represents the sum of (a) RMB31,487,000 being the excess of the consideration paid by an independent investor to acquire 10% interest in the Group over the par value of the share capital subscribed; (b) RMB654,000 being the excess of the share capital of a subsidiary acquired by the Company over the nominal consideration of US$1 paid, as part of the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2012; (c) RMB115,029,000 and RMB54,303,000 being the difference between the increase in the non-controlling interests and the consideration received from the disposal of partial interests in CSMall Group Limited BVI 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 debit 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; and (f) a debit of RMB4,671,000 and a credit 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 in August 2019.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit before tax	**127,422**	117,014
Adjustments for non-cash transactions and items associated with investing or financing cash flows	**45,516**	23,139
Operating cash flows before movements in working capital	**172,938**	140,153
Decrease (increase) in inventories	**126,734**	(26,876)
Increase in trade and other receivables	**(166,346)**	(5,213)
Increase in trade, bills and other payables	**106,292**	70,866
Other working capital movement	**2,203**	46,012
Cash generated from operations	**241,821**	224,942
Income tax paid	**(46,634)**	(22,679)
NET CASH FROM OPERATING ACTIVITIES	**195,187**	202,263
INVESTING ACTIVITIES		
Refund of deposits paid on acquisition of a land use right	**175,500**	–
Bank interest received	**1,236**	1,068
Deposits paid on acquisition of intangible assets	**(24,310)**	–
Purchase of intangible assets	**(9,812)**	–
Purchase of property, plant and equipment	**(9,090)**	(1,925)
Deposits paid on acquisition of plant and equipment	**(6,731)**	–
Deposits and other direct costs paid on acquisition of a land use right	**(6,016)**	(104,782)
Repayment of loan receivables	**–**	51,000
Loan interest income received	**–**	940
Proceeds from disposal of property, plant and equipment	**–**	2
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**120,777**	(53,697)
FINANCING ACTIVITIES		
New bank and other borrowings raised	**147,500**	90,000
Repayment of bank borrowings	**(90,000)**	(40,000)
Repayment of a trade loan	**(10,000)**	–
Interest paid	**(5,185)**	(2,225)
Repayment of lease liabilities	**(4,578)**	(3,512)
Capital injection from a non-controlling shareholder of Tongsheng	**–**	20,000
NET CASH FROM FINANCING ACTIVITIES	**37,737**	64,263

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)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**353,701**	212,829
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**610,679**	541,242
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(16)**	17
CASH AND CASH EQUIVALENTS AT 30 JUNE, REPRESENTED BY BANK BALANCES AND CASH	**964,364**	754,088

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

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

The outbreak of 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, Shanghai 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 under the Group's New Jewellery Retail segment (as defined in note 3), 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 except for certain financial instruments, which are measured at fair values.

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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. 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, sale and trading of silver ingots, palladium and other non-ferrous metals in the PRC ("**Manufacturing segment**");

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

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

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

Segment revenue and results

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

	Six months ended 30 June 2020					
	Manufacturing segment RMB'000 (unaudited)	New Jewellery Retail segment RMB'000 (unaudited)	Silver Exchange segment RMB'000 (unaudited)	Segment total RMB'000 (unaudited)	Elimination RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Revenue						
External sales	1,568,322	216,701	24,822	1,809,845	–	1,809,845
Inter-segment sales*	125,118	44	–	125,162	(125,162)	–
Total segment revenue	1,693,440	216,745	24,822	1,935,007	(125,162)	1,809,845
Results						
Segment results	136,781	(16,282)	19,026	139,525		139,525
Non-segment items						
Unallocated income, expenses, gains and losses						(7,673)
Unallocated finance costs						(4,430)
Profit before tax						127,422

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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

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

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

Geographical information

The Group's operations are located in the PRC. All of the Group's revenue during the six months ended 30 June 2020 and 2019 are generated in the PRC.

4. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
Segments – By types of goods and services	**2020** **RMB'000** **(unaudited)**	2019 RMB'000 (unaudited)
Manufacturing segment		
– Sales of silver ingots	**43,555**	140,973
– Sales of palladium	**1,351,991**	15,526
– Sales of lead ingots	**75,992**	82,217
– Sales of zinc oxide	**1,990**	39,402
– Sales of other metal by-products	**94,794**	128,131
	1,568,322	406,249
New Jewellery Retail segment		
– Sales of gold products	**63,610**	384,016
– Sales of silver products	**150,624**	224,276
– Sales of gem-set and other jewellery products	**2,467**	101,420
	216,701	709,712
Silver Exchange segment		
– Commission income	**24,822**	25,962
Total	**1,809,845**	1,141,923

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

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("**EIT**")		
– Current period	**32,504**	26,365
– Under(over)provision in respect of prior periods	**204**	(9)
	32,708	26,356
Deferred taxation for the period	**(8,684)**	(3,464)
	24,024	22,892

At the end of the reporting period, the Group has unused tax losses of RMB56,809,000 (31 December 2019: RMB25,635,000) available for offset against future profits. Included in unrecognised tax losses are losses of RMB52,144,000 (31 December 2019: RMB20,970,000) 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 two subsidiaries of the Company, namely Jiangxi Longtianyong Nonferrous Metals Co., Ltd.（江西龍天勇有色金屬有限公司）("**Jiangxi Longtianyong**") and Shenzhen Yunpeng Software Development Company Limited（深圳雲鵬軟件開發有限公司）("**Shenzhen Yunpeng**").

Jiangxi Longtianyong was recognised as High and New Technology Enterprise by the PRC tax authorities such that it is entitled to a concessionary tax rate of 15% for three consecutive years from 2019 to 2021, and it is subject to review once every three years.

Shenzhen Yunpeng was recognised as 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 RMB2,213,163,000 as at 30 June 2020 (31 December 2019: RMB2,099,321,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	**1,587,325**	940,874
Depreciation of property, plant and equipment	**9,281**	10,023
Depreciation of right-of-use assets	**4,812**	3,598
Amortisation of intangible assets (included in administrative expenses and selling and distribution expenses)	**4,839**	5,430
Bank interest income	**(1,236)**	(1,068)
Loan interest income	**–**	(734)
Loss on disposal of property, plant and equipment	**–**	(1)
Expenses on short-team leases in respect of office premises and retail shops	**2,638**	5,124

7. 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.

8. EARNINGS PER SHARE

The calculation of the basic 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)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**114,661**	71,372
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	**1,627,351**	1,624,201
Basic earnings per share (RMB)	**0.070**	0.044

Diluted earnings per share for the six months ended 30 June 2020 and 2019 are the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options of the Company would have an anti-dilutive effect on the basic earnings per share.

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

During the current interim period, the Group acquired property, plant and equipment of RMB10,121,000 (six months ended 30 June 2019: RMB1,925,000) mainly consist of plant and machinery for the expansion of its production scale and enhancement of production efficiency.

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 payments during the contract period. On lease commencement, the Group recognised right-of-use assets of RMB10,759,000 (six months ended 30 June 2019: RMB558,000) and lease liabilities 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 under New Jewellery Retail segment.

10. 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)*	**40,197**	23,981
Deposits paid on acquisition of plant and equipment *(Note iii)*	**7,463**	1,763
	47,660	274,682

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 under CSMall Cayman, 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 under CSMall Cayman.

   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 11(ii). 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. During the six months ended 30 June 2020, the Group further paid deposits of RMB24,310,000 for the Group's certain software of online exchange platform under Silver Exchange segment. The acquisitions of the Group's online platform and system enhancement under New Jewellery Retail segment were completed during the six months ended 30 June 2020 and respective deposits paid of RMB8,094,000 were transferred to intangible assets.

iii. The amount represents deposits paid by the Group in relation with the acquisition of plant and equipment under Manufacturing segment and New Jewellery Retail segment. The unsettled amount is disclosed as a capital commitments in note 21.

11. TRADE AND OTHER RECEIVABLES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade receivables for contracts with customers *(Note i)*	**358,712**	375,025
Less: allowance for credit loss	**(12,864)**	(10,557)
	345,848	364,468
Other receivables *(Note ii)*	**223,728**	–
Deposits and prepayments	**51,817**	24,184
Prepayments to suppliers *(Note iii)*	**148,475**	39,315
Value-added tax ("**VAT**") recoverable	**21,575**	23,058
VAT rebate receivable *(Note iv)*	**21,290**	39,160
	812,733	490,185

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 15.

(ii) Included in the balance represents the receivable of RMB126,998,000 from a fund management services provider, Jiangxi Lianjiaoyun Financial Services Co., Ltd（江西省聯交運金融服務有限公司）in relation to the refundable deposits received from customers for using the silver exchange platform set out in note 14.

The remaining balance of RMB96,730,000 represents the receivables in relation to the termination of the Acquisition set out in note 10(i).

(iii) In February 2020, the Group entered into a sales and purchase framework agreement with a supplier, Jiangxi Xinhe Enterprise Co., Ltd.（江西新和實業有限公司）, a non-controlling shareholder of Tongsheng for procurement of silver ingots with total amount of RMB97,000,000 in the coming year. During the six months ended 30 June 2020, the Group purchased silver ingots with total amount of RMB33,222,000. The amount of RMB63,778,000 included in the balance represents prepayment in form of bills issued by a bank, as set out in note 14.

The remaining balance of RMB84,697,000 represents prepayments for purchase of inventories under the Group's Manufacturing segment and New Jewellery Retails segment.

(iv) 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 utilises recycled materials in the course of production of metal products and is therefore subject to a preferential policy of an immediate VAT refund of 30% related to revenue arising from sales of these metal products. During the six months ended 30 June 2020, Jiangxi Longtianyong recognised RMB61,610,000 (six months ended 30 June 2019: RMB24,380,000) of government grant in relation to VAT refund in cost of sales set out in the condensed consolidated statement of profit or loss and other comprehensive income.

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

11. TRADE AND OTHER RECEIVABLES (Continued)

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	**203,336**	190,280
31 – 60 days	**1,682**	43,712
61 – 90 days	**1,677**	4,594
Over 90 days	**139,153**	125,882
	345,848	364,468

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Details of impairment assessment of trade and other receivables for the six months ended 30 June 2020 and 2019 are set out in note 12.

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Impairment loss recognised in respect of trade receivables, net of reversal	**2,307**	6,085
Impairment loss reversed in respect of loan and interest receivables	**–**	(2,743)
	2,307	3,342

The basis of determining the inputs and assumptions and the estimation techniques used in estimation of expected credit loss in respect of trade receivables and loan and interest receivables 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.

In determining the expected credit loss for other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's other receivables is insignificant.

13. RESTRICTED BANK BALANCES

Included in the restricted bank balances represent an amount of RMB6,050,000 money deposited by clients in the course of trading in the silver exchange platform received and held by the Group. These clients' monies are maintained in one or more trust bank accounts and bear interest at prevailing market rates. The Group has reclassified the client's monies as restricted bank balances and recognised the corresponding deposits received in other payables. However, the Group is not permitted to use these monies to settle its own obligations and currently does not have an enforceable right to offset those payables with the deposits placed.

The remaining balances of approximately RMB47,000,000 represents a bank deposit with maturity of less than one year pledged to secure the Group's banking facilities in relation to the bills payables as set out in note 14. The pledged bank deposits will be released upon settlement of the relevant bills.

14. TRADE, BILLS AND OTHER PAYABLES

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade and bills payables		
0-30 days	**37,295**	50,482
31-60 days	**8,165**	–
61-90 days	**1,909**	–
91-180 days	**94,000**	–
181-365 days	**8,471**	12,220
Over 365 days	**327**	17,413
	150,167	80,115
Other payables and accrued expenses *(Note i)*	**149,943**	76,814
Refundable deposits received for using the silver exchange platform	**133,048**	25,345
Amount due to Shanghai Huatong International Silver Exchange Co., Ltd. （上海華通白銀國際交易中心有限公司）("**Huatong International**") *(Note ii)*	**19,423**	19,456
VAT and other taxes payables	**66,428**	82,503
	519,009	284,233

Notes:

(i) 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 10(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 the Company is also a director (out of the twelve directors) of Zhejiang Jifeng Geotechnical and holds 5.44% equity interest therein.

(ii) Huatong International is a company which the Group held 18% equity interest and accounted for as an equity investment at FVTOCI. The amount was non-trade in nature, unsecured, interest-free and repayable on demand.

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.

15. TRADE LOANS

During the current interim period, the Group (i) obtained a new trade loan of 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 of RMB19,428,000 (31 December 2019: RMB19,428,000) carry interest at a fixed rate of 5.66% per annum which is also the effective interest rate during the six months ended 30 June 2020. The amounts would be 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 CSMall Cayman) and their respective spouses.

Details of the Group's assets pledged to secure above trade loans are set out in note 18.

16. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2020, the Group repaid bank borrowings of RMB90,000,000 (six months ended 30 June 2019: RMB40,000,000) and obtained new bank and other borrowings of RMB147,500,000 (six months ended 30 June 2019: RMB90,000,000) including a revolving loan of RMB30,000,000 drawn down from a financial institution by Jiangxi Longtianyong, a wholly owned subsidiary of the Group, with the support of personal guarantees given by Mr. Chen Wantian, a director of the Company, and his spouse and is pledged by Jiangxi Longtianyong's inter-group trade receivables of RMB62,320,000. Subsequent to the reporting period, respective personal guarantees and pledge were released upon expiry of the facility agreement and repayment of respective loan.

Bank and other borrowings of RMB164,500,000 as at 30 June 2020 (31 December 2019: RMB70,000,000) carry interest at fixed rates, ranging from 4.35% to 6.96% (31 December 2019: 6.96%) per annum and RMB3,000,000 carry interest at loan prime rate plus 2.48% per annum and are secured by certain of the Group's assets as set out in note 18.

17. SHARE CAPITAL

	Number of shares	Share capital	
		HK$'000	RMB'000
Ordinary share of HK$0.01 each:			
Authorised			
At 1 January 2019, 30 June 2019, 31 December 2019 and 30 June 2020	3,000,000,000	30,000	24,386
Issued			
At 1 January 2019 and 30 June 2019	1,624,200,589	16,242	13,246
Exercise of share options *(Note)*	3,150,000	32	29
At 31 December 2019 and 30 June 2020	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 shares (30 June 2020: Nil) of the Company. The share option exercise price for those options was HK$0.96 (30 June 2020: N/A) per share.

As at 30 June 2020 and 31 December 2019, the number of shares in respect of which options had been granted and remained outstanding was 154,200,000 representing 9.48% of the shares of the Company in issue at the end of the reporting period. All the share options were vested and the related expenses were recognised in profit or loss in previous years.

For details of share option scheme, please refer to the Group's consolidated financial statements for the year ended 31 December 2019.

18. PLEDGE OF ASSETS

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Property, plant and equipment	31,366	32,809
Leasehold land included in the right-of-use assets	17,045	17,262
Inventories	413,641	172,782
Trade receivables	75,000	75,000
Restricted bank balances	47,000	–
	584,052	297,853

19. RELATED PARTY DISCLOSURES

(i) Related party transactions and balances

Saved as disclosed elsewhere in the condensed consolidated financial statements, no other transactions and balances with related parties were entered into by the Group during both periods.

(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 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Short-term benefits	2,499	2,061
Post-employment benefits	24	24
Share-based payments	–	–
	2,523	2,085

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

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

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

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

Financial asset	Fair value as at 30 June 2020 RMB'000 (unaudited)	Fair value as at 31 December 2019 RMB'000 (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Equity instrument at FVTOCI	7,419	8,963	Level 3	Adjusted net assets approach – in this approach, the share of the net asset value was used to capture the present value of the expected future economic benefits to be derived from the ownership of Huatong International	Discount factor of lack of control: the higher the discount factor, the lower the fair value

Reconciliation of Level 3 fair value measurements of equity instrument at FVTOCI

	2020 **RMB'000**	2019 RMB'000
As at 1 January (audited)	**8,963**	8,963
Unrealised loss in other comprehensive income	**(1,544)**	–
As at 30 June (unaudited)	**7,419**	8,963

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

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

21. CAPITAL COMMITMENTS

	30 June 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
– Property, plant and equipment	**8,455**	1,100
– Intangible assets	**–**	36,451
	8,455	133,018

22. 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 premises and showrooms for 2 years. On the lease commencement, the Group recognised RMB10,759,000 (six months ended 30 June 2019: RMB558,000) of right-of-use asset and RMB10,759,000 (six months ended 30 June 2019: RMB558,000) of lease liabilities.

(ii) During the six months ended 30 June 2020, the Group entered into a reverse factoring agreement as disclosed in note 15 and trade payables amounting to RMB9,428,000 (six months ended 30 June 2019: Nil) was settled by trade loans.

23. EVENT AFTER REPORTING PERIOD

Subsequent to 30 June 2020, in regard to the termination of the Acquisition set out in note 10(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.