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CSMall Group Limited
金貓銀貓集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1815)

FURTHER ANNOUNCEMENT OF THE AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of CSMall Group Limited (the "**Company**") dated 27 March 2020 in relation to the unaudited annual results of the Company and its subsidiaries (collectively, the "**Group**" or "**we**") for the year ended 31 December 2019 (the "**Unaudited Annual Results Announcement**").

AUDITED ANNUAL RESULTS

The board of directors (individually, a "**Director**", or collectively, the "**Board**") of the Company is pleased to announce that the Group's auditor, Messrs. Deloitte Touche Tohmatsu, has completed its audit of the annual results of the Group for the year ended 31 December 2019 (or the "**current year**" or "**during the year**"), including the financial figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position and the related notes thereto, in accordance with the International Financial Reporting Standards.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since the financial information contained in the Unaudited Annual Results Announcement was neither audited by nor agreed with Messrs. Deloitte Touche Tohmatsu as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Items as at 31 December 2019	**Disclosure in this announcement**	**Disclosure in the Unaudited Annual Results Announcement**	**Difference**	**Note**
	RMB'000	*RMB'000*	*RMB'000*	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
CURRENT LIABILITIES				
Trade and other payables (originally named as: Trade, bills and other payables)	101,771	121,199	(19,428)	i
Trade loans	19,428	–	19,428	i

Note:

i. The renaming of the line item "Trade, bills and other payables" to "Trade and other payables" and the creation of the line item "Trade loans" are due to the reclassification of certain amounts of loan nature from bills payables to trade loans.

Save as disclosed in this announcement and corresponding adjustments in total, percentages, ratios and comparative figures related to the above material differences, all other information contained in the Unaudited Annual Results Announcement remains materially unchanged.

The audited annual results for the year ended 31 December 2019 and the accompanying management discussion and analysis were approved by the Board on 8 May 2020, details of which are set out below. Material changes made to the corresponding disclosure in the Unaudited Annual Results Announcement are shaded for ease of reference.

HIGHLIGHTS OF 2019 ANNUAL RESULTS

- Net loss for 2019 was approximately RMB5.1 million, as compared to a net profit for 2018 of approximately RMB142.7 million. Excluding one-off and non-cash share-based payment expenses of approximately RMB83.0 million, net profit for 2019 was approximately RMB77.9 million, representing a decrease of approximately RMB64.8 million or approximately 45.4% as compared to that for 2018, mainly due to the economic downturn and the interim effects of proactive strategic adjustment.

- Benefiting from the remarkable effects of the Group's proactive strategic adjustment and optimisation of product mix, the overall gross profit margin for the year increased significantly to approximately 17.6% (2018: 12.6%).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	3	**1,248,988**	2,497,849
Cost of sales		**(1,029,314)**	(2,182,667)
Gross profit		**219,674**	315,182
Other income, gains and losses		**9,297**	19,612
Selling and distribution expenses		**(54,606)**	(48,363)
Administrative expenses		**(136,291)**	(68,404)
Other expenses		**(15)**	(10,095)
Impairment loss under expected credit loss model, net of reversal	9	**(7,432)**	(2,006)
Finance costs		**(447)**	–
Listing expenses		**–**	(9,285)
Profit before tax		**30,180**	196,641
Income tax expense	4	**(35,263)**	(53,964)
(Loss) profit and total comprehensive (expense) income for the year	5	**(5,083)**	142,677
		RMB	*RMB*
(Loss) earnings per share	7		
Basic		**(0.005)**	0.14
Diluted		**N/A**	0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	**2019** **RMB'000**	2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**11,228**	14,987
Right-of-use assets		**8,775**	–
Intangible assets		**281**	2,463
Deferred tax assets		**4,058**	1,140
Deposits paid on acquisition of non-current assets		**258,795**	138,043
		283,137	156,633
CURRENT ASSETS			
Inventories		**451,074**	388,580
Trade and other receivables	*8*	**455,842**	702,415
Amount due from immediate holding company		**12,779**	10,600
Amount due from a fellow subsidiary		**262**	898
Bank balances and cash		**393,287**	269,007
		1,313,244	1,371,500
CURRENT LIABILITIES			
Trade and other payables	*10*	**101,771**	263,660
Trade loans		**19,428**	–
Lease liabilities – current portion		**5,340**	–
Contract liabilities		**10,080**	13,305
Amounts due to fellow subsidiaries		**2,634**	6,223
Amounts due to related companies		**9,010**	10,660
Income tax payable		**12,004**	14,250
		160,267	308,098

	2019	2018
	RMB'000	*RMB'000*
NET CURRENT ASSETS	**1,152,977**	1,063,402
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,436,114**	1,220,035
CAPITAL AND RESERVES		
Share capital	**842**	711
Reserves	**1,431,779**	1,219,324
TOTAL EQUITY	**1,432,621**	1,220,035
NON-CURRENT LIABILITY		
Lease liabilities – non-current portion	**3,493**	–
TOTAL EQUITY AND NON-CURRENT LIABILITY	**1,436,114**	1,220,035

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL

CSMall Group Limited (the "**Company**") was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 19 January 2017. The addresses of the registered office is Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands and principal place of business of the Company is Room 1415, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**") since 13 March 2018.

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

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

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

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

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

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

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

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

IFRS 16 "Leases" ("IFRS 16")

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

Definition of a lease

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

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

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

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

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

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

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**11,644**
Lease liabilities discounted at relevant incremental borrowing rates	**11,184**
Less: recognition exemption – short-term leases	**(821)**
Lease liabilities as at 1 January 2019	**10,363**

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

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

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

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

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

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Right-of-use assets	–	10,363	10,363
Current Liabilities			
Lease liabilities – current portion	–	6,246	6,246
Non-current Liability			
Lease liabilities – non-current portion	–	4,117	4,117

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

New and amendments to IFRSs in issue but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 January 2021.

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for annual periods beginning on or after 1 January 2020.

[5] Effective for annual periods beginning on or after 1 January 2022.

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

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

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

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

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

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

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

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

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

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

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

Notes:

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

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

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

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

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

(ii) Segment information

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

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

(iii) Geographical information

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

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

Note: Non-current assets excluded deferred tax assets.

(iv) Information about major customers

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

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

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

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

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

4. INCOME TAX EXPENSE

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

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

Under the Law of the PRC on EIT (the "**EIT Law**") and its related implementation regulations, the Group's PRC subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both years except for Shenzhen Yunpeng Software Development Company Limited (深圳雲鵬軟件開發有限公司), which was recognised as a Software Enterprise by the PRC tax authorities and it is entitled to an exemption of PRC EIT for the first two consecutive years beginning from 2016 and a 50% reduction for the following three consecutive years. For the years ended 31 December 2018 and 2019, Shenzhen Yunpeng Software Development Company Limited was subject to PRC EIT at the rate of 12.5%.

5. (LOSS) PROFIT FOR THE YEAR

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

6. DIVIDENDS

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

7. (LOSS) EARNINGS PER SHARE

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

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

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

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

8. TRADE AND OTHER RECEIVABLES

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

Notes:

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

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

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

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

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

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

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

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

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

10. TRADE AND OTHER PAYABLES

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

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

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

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

Online Sales Channels

(i) Self-operated online platform

The Group's past implementation of the established strategy of attracting user traffic through promotion of low-margin gold bars has achieved significant expected results. As of 31 December 2019, the number of registered members on our self-operated online jewellery platform, which consists of www.csmall.com, m.csmall.com and the mobile app of "金貓銀貓CSmall", surpassed approximately 9.9 million. On this basis, the Group started to implement the second stage of the established strategy and the platform was upgraded to a membership-based platform in the first half of 2019. The focus of the platform was adjusted from the original vigorous solicitation of new members to the stimulation and enhancement of benefits for existing members, which generated remarkable results. As of 31 December 2019, the number of active members on the platform was approximately 0.5 million, representing an increase of approximately 38.5% as compared with the previous year; the repeat purchase rate of members was approximately 6.4%, representing an increase of approximately 22.7% as compared with the previous year; and the sales conversion rate of members on the platform was approximately 33.9%, representing an increase of approximately 48.9% as compared with the previous year.

(ii) Television and video shopping channels

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

(iii) Third-party online marketplaces

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

Offline Retail and Service Network

(i) CSmall Shops

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

(ii) Shenzhen Exhibition Hall

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

(iii) Third-party offline points of sale

We also distribute our jewellery products and provide product customization service through various third-party offline points of sale, which are certain commercial banks we cooperated with.

New Retailing Model

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

(i) Turning jewellery into accessory

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

(ii) Blending silverware into daily life

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

(iii) Injecting artistic creativity into products

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

(iv) Intelligentizing service

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

Prospects

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

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

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

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

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

Financial Review

Revenue

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

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

Online Sales Channels

During the year, the online sales channels recorded sales of approximately RMB786.2 million (2018: RMB1,699.0 million), representing a decrease of approximately 53.7%, mainly due to the adverse impact of the Sino-US trade war on the macro-economy and the slowdown in the PRC's economic growth, which have had a negative impact on the PRC retail market.

Offline Sales and Service Network

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

CSmall Gift Initiatives

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

Cost of Sales and Services Provided

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

Gross Profit and Gross Profit Margin

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

Other Income, Gains and Losses

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Other Expenses

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

Listing Expenses

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

Income Tax Expense

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

(Loss) Profit for the year

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

Inventories, Trade Receivables and Trade Payables Turnover Cycle

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

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

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

Borrowings

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

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

Capital Expenditures

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

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

Pledge of Assets

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

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

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

Capital Commitments

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

Contingent Liabilities

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

Employees

As of 31 December 2019, the Group employed 336 staff members (as of 31 December 2018: 353 staff members) and the total remuneration for the year ended 31 December 2019 amounted to approximately RMB123.9 million (2018: RMB45.4 million). The Group's remuneration packages are in line with the current laws in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during the year. The Group was principally financed by internal resources, net proceeds received from the Global Offering and trade loans. The Group's principal financial instruments comprise bank balances and cash, trade and other receivables, as well as trade and other payables and trade loans. As of 31 December 2019, the bank balances and cash, net current assets and total assets less current liabilities were approximately RMB393.3 million (as of 31 December 2018: RMB269.0 million), RMB1,153.0 million (as of 31 December 2018: RMB1,063.4 million) and RMB1,436.1 million (as of 31 December 2018: RMB1,220.0 million), respectively. As of 31 December 2019, the Group had trade loans amounting to approximately RMB19.4 million (as of 31 December 2018: Nil).

Dividend

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

Significant Investment Held, Material Acquisition and Disposal

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

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

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

Use of Proceeds from the Global Offering

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

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

Event after the Reporting Period

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

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

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

OTHERS

Closure of Register of Members

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

Code of Corporate Governance Practice

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

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

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

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2019.

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 the year ended 31 December 2019.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") has reviewed the financial reporting processes, risk management and internal control systems of the Group and discussed with the external auditors the audited consolidated financial statements for the year ended 31 December 2019. The Audit Committee is of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2019 as set out in this further announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 8 May 2020. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this further announcement.

Acknowledgement

Gratitude is expressed to the management and all of our staff for their hard work and dedication, as well as our shareholders and customers for their continuous support to the Group.

Publication of Results Announcement and Annual Report

This audited annual results announcement is published on the websites of the Company (www.csmall.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2019 annual report of the Company will be dispatched to the shareholders of the Company and made available on the same websites on or before 15 May 2020, as explained in the Company's announcement dated 27 April 2020.

By Order of the Board
CSMall Group Limited
Chen He
Chairman

Hong Kong, 8 May 2020

As at the date of this announcement, the executive directors of the Company are Mr. Chen He, Mr. Zhang Jinpeng and Mr. Qian Pengcheng; and the independent non-executive directors of the Company are Mr. Fu Lui, Mr. Hu Qilin and Mr. Zhang Zuhui.