Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

中國白銀集團
CHINA SILVER GROUP

CHINA SILVER GROUP LIMITED
中 國 白 銀 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 815)

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

Reference is made to the announcement of China Silver 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 for the year ended 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Cost of sales and services provided	(3,395,957)	(3,322,629)	(73,328)	i
Gross profit	531,140	604,468	(73,328)	i
(Loss) profit before tax (originally named as: Profit before tax)	(55,779)	17,549	(73,328)	i
Income tax expense	(61,322)	(72,321)	10,999	i
(Loss) profit for the year	(117,101)	(54,772)	(62,329)	i
Total comprehensive (expense) income for the year	(117,101)	(54,772)	(62,329)	i
(Loss) profit for the year attributable to:				
Owners of the Company	(116,195)	(53,866)	(62,329)	i
Total comprehensive (expense) income for the year attributable to:				
Owners of the Company	(116,195)	(53,866)	(62,329)	i
(Loss) earnings per share	*RMB*	*RMB*	*RMB*	
Basic	(0.071)	(0.033)	(0.038)	i
Diluted	(0.071)	(0.033)	(0.038)	i

Items as at 31 December 2019	Disclosure in this announcement *RMB'000*	Disclosure in the Unaudited Annual Results Announcement *RMB'000*	Difference *RMB'000*	Notes
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
CURRENT ASSETS				
Inventories	2,306,228	2,379,556	(73,328)	i
Current Assets	3,432,437	3,505,765	(73,328)	i
CURRENT LIABILITIES				
Trade and other payables (originally named as: Trade, bills and other payables)	284,233	303,661	(19,428)	ii
Trade loans	19,428	–	19,428	ii
Income tax payable	32,311	43,310	(10,999)	i
Current liabilities	510,266	521,265	(10,999)	i
NET CURRENT ASSETS	2,922,171	2,984,500	(62,329)	i
TOTAL ASSETS LESS CURRENT LIABILITIES	3,469,399	3,531,728	(62,329)	i
CAPITAL AND RESERVES				
Share premium and reserves	2,573,974	2,636,303	(62,329)	i
EQUITY ATTRIBUTABLE TO OWNER OF THE COMPANY	2,587,249	2,649,578	(62,329)	i
TOTAL EQUITY	3,441,655	3,503,984	(62,329)	i
TOTAL EQUITY AND NON-CURRENT LIABILITIES	3,469,399	3,531,728	(62,329)	i
MANAGEMENT DISCUSSION AND ANALYSIS				
Pledge of assets	297,853	335,775	(37,922)	iii

Notes:

i. The calculation of the cost of sales associated with the Group's manufacturing segment used for arriving at certain figures set out in the Unaudited Annual Results Announcement should be adjusted upwards, while the income tax expense should consequentially be adjusted downwards but to a smaller extent. As a result of such adjustments, there is an increase in cost of sales and a decrease in inventories and income tax expenses.

ii. 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 associated with the Group's new jewellery retail segment from bills payables to trade loans.

iii. The carrying amount of property, plant and equipment being pledged is adjusted downwards.

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

- Revenue increased to approximately RMB3,927.1 million, representing an increase of approximately 4.7% as compared to that for 2018.

- Loss attributable to owners of the Company for 2019 was approximately RMB116.2 million, as compared to a profit attributable to owners of the Company for 2018 of approximately RMB149.0 million. Excluding one-off and non-cash share-based payment expenses for 2019 and non-recurring impairment loss on goodwill for the two years, profit attributable to owners of the Company was approximately RMB253.5 million for 2019, representing an increase of approximately 12.1% over that for 2018, mainly due to the strong growth in our core business of silver and precious metal production.

- The segment revenue and profit contributed by the Manufacturing segment involving the production of silver, gold, palladium, other precious metals and the metal by-products derived therefrom increased to approximately RMB2,629.7 million and RMB245.9 million respectively, representing a significant increase of approximately 128.7% and 50.2% respectively as compared to that for 2018, mainly due to the substantial growth of our precious metals business including silver, palladium and gold products.

- Excluding one-off and non-cash share-based payment expenses of approximately RMB83.0 million, the New Jewellery Retail segment operated under our subsidiary CSMall Group contributed a segment profit of approximately RMB115.0 million, representing a decrease of approximately 36.2% as compared to that for 2018, mainly due to the economic downturn and the interim effects of proactive strategic adjustment.

- Excluding non-recurring impairment loss on all remaining goodwill of approximately RMB330.3 million, the Silver Exchange segment contributed a segment profit of approximately RMB27.0 million, representing a decrease of approximately 59.6% as compared to the segment profit (after adding back, for illustration purpose only, the impairment of goodwill recorded as at the end of 2018) of approximately RMB66.9 million for 2018, mainly due to lower transaction volume resulting from the impact of the domestic policy environment in relation to transaction platforms.

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*	**3,927,097**	3,751,216
Cost of sales and services provided		**(3,395,957)**	(3,154,867)
Gross profit		**531,140**	596,349
Other income		**16,689**	10,731
Other gains and losses		**(4,505)**	(869)
Selling and distribution expenses		**(56,894)**	(49,551)
Administrative expenses		**(193,493)**	(148,737)
Research and development expenses		**(2,373)**	(2,897)
Other expenses		**(791)**	(20,093)
Impairment loss under expected credit loss model, net of reversal	*10*	**(5,808)**	(3,849)
Impairment loss on goodwill	*12*	**(330,262)**	(77,059)
Finance costs		**(9,482)**	(5,492)
Share of result of an associate		**–**	(280)
(Loss) profit before tax		**(55,779)**	298,253
Income tax expense	*5*	**(61,322)**	(77,912)
(Loss) profit for the year	*6*	**(117,101)**	220,341
Other comprehensive expense, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**–**	(1,073)
Total comprehensive (expense) income for the year		**(117,101)**	219,268

	NOTES	2019 RMB'000	2018 RMB'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(116,195)**	148,950
Non-controlling interests		**(906)**	71,391
		(117,101)	220,341
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(116,195)**	147,877
Non-controlling interests		**(906)**	71,391
		(117,101)	219,268
		RMB	*RMB*
(Loss) earnings per share	*8*		
Basic		**(0.071)**	0.092
Diluted		**(0.071)**	0.092

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**142,994**	156,752
Right-of-use assets		**25,369**	–
Prepaid lease payments		**–**	17,266
Goodwill	*12*	**–**	330,262
Intangible assets		**88,464**	101,004
Deferred tax assets		**6,756**	3,419
Equity instrument at fair value through other comprehensive income		**8,963**	8,963
Deposits paid on acquisition of non-current assets		**274,682**	138,046
		547,228	755,712
CURRENT ASSETS			
Prepaid lease payments		**–**	432
Inventories		**2,306,228**	2,107,302
Trade and other receivables	*9*	**490,185**	440,163
Tax recoverable		**–**	6,364
Restricted bank balances		**25,345**	162,052
Bank balances and cash		**610,679**	541,242
		3,432,437	3,257,555

	NOTES	2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES			
Trade and other payables	*11*	**284,233**	535,167
Trade loans		**19,428**	–
Lease liabilities – current portion		**5,926**	–
Contract liabilities		**57,653**	24,063
Deferred income		**715**	715
Income tax payable		**32,311**	16,831
Bank borrowings		**110,000**	60,000
		510,266	636,776
NET CURRENT ASSETS		**2,922,171**	2,620,779
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,469,399**	3,376,491
CAPITAL AND RESERVES			
Share capital		**13,275**	13,246
Share premium and reserves		**2,573,974**	2,684,470
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**2,587,249**	2,697,716
Non-controlling interests		**854,406**	650,575
TOTAL EQUITY		**3,441,655**	3,348,291
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**20,586**	22,547
Lease liabilities – non-current portion		**2,220**	–
Deferred income		**4,938**	5,653
		27,744	28,200
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**3,469,399**	3,376,491

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL

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

The addresses of the registered office is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and principal place of business of the Company is Room 1416, China Merchants Tower, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

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

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

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

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

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

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

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

IFRS 16 "Leases" ("IFRS 16")

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

Definition of a lease

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

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

As a lessee

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

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

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

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

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

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

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	**18,751**
Lease liabilities discounted at relevant incremental borrowing rates	**17,969**
Less: Practical expedient – lease with lease terms ending within 12 months from the date of initial application	**(5,648)**
Recognition exemption – short-term leases	**(1,941)**
Lease liabilities as at 1 January 2019	**10,380**

	RMB'000
Analysed as	
Current	**6,250**
Non-current	**4,130**
	10,380

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

	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	**10,380**
Reclassified from prepaid lease payments *(Note i)*	**17,698**
	28,078
By class:	
Leasehold land	**17,698**
Office premises, showrooms, warehouses and retail shops	**10,380**
	28,078

Notes:

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

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

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

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Right-of-use assets	–	28,078	28,078
Prepaid lease payments – non-current portion	17,266	(17,266)	–
Current Assets			
Prepaid lease payments – current portion	432	(432)	–
Current Liabilities			
Lease liabilities – current portion	–	(6,250)	(6,250)
Non-current Liabilities			
Lease liabilities – non-current portion	–	(4,130)	(4,130)

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

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 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 annual periods beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. REVENUE

Disaggregation of revenue from contracts with customers

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

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

4. SEGMENT INFORMATION

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

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

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

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

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

Segment revenue and results

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

For the year ended 31 December 2019

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

For the year ended 31 December 2018

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

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

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

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

Geographical information

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

	Revenue from external customers		**Non-current assets**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**3,927,097**	3,722,986	**527,520**	743,153
Hong Kong	**–**	28,230	**3,989**	177
	3,927,097	3,751,216	**531,509**	743,330

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

Information about major customers

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

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

Notes:

1 Revenue from sales of palladium in Manufacturing segment

2 Revenue from sales of lead ingots in Manufacturing segment

5. INCOME TAX EXPENSE

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

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

Under the Law of the PRC on EIT (the "**EIT Law**") and its related implementation regulations, the Group's PRC subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both years except for the following two of the major subsidiaries of the Company. Longtianyong Nonferrous Mental Co., Limited (江西龍天勇有色金屬有限公司) was recognised as a High and New Technology Enterprise by the PRC tax authorities such that it is entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2019 to 2021 (2018: 2016 to 2018) and was subject to review once every three years. Another major subsidiary, 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%.

6. (LOSS) PROFIT FOR THE YEAR

	2019	2018
	RMB'000	*RMB'000*
(Loss) profit for the year has been arrived at after charging:		
Directors' emoluments	**4,863**	5,526
Other staff costs:		
– salaries and other allowances	**74,300**	90,029
– retirement benefit scheme contributions	**17,313**	21,034
– share-based payments, excluding those of directors and a consultant	**83,008**	10
Total staff costs	**179,484**	116,599
Auditor's remuneration	**4,099**	3,403
Amortisation of intangible assets	**10,860**	12,957
Depreciation of property, plant and equipment	**19,988**	23,673
Depreciation of right-of-use assets	**8,223**	–
Cost of inventories recognised as expenses	**3,393,081**	3,151,655
Release of prepaid lease payments	**–**	434
Expenses on short term leases in respect of retail shops	**9,517**	–
Operating lease rentals in respect of office premises, showrooms, warehouse and retail shops	**–**	19,529
Share-based payment expenses in respect of consultancy services	**–**	1

7. 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.

8. (LOSS) EARNINGS PER SHARE

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

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

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

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

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

9. TRADE AND OTHER RECEIVABLES

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

Notes:

(i) Amounts represented unsecured fixed-rate loan receivables carrying interest at 0.6% per month which was lent by 永豐縣通盛小額貸款股份有限公司, a non-wholly owned subsidiary with its principal activity as money lending. All the loan receivables were either repayable on demand or within one year. At 31 December 2018, included in the carrying amount of loan receivables was accumulated impairment loss of RMB2,743,000. During the year, the amount of loan receivables of RMB51,000,000 was fully settled and the accumulated impairment loss of RMB2,743,000 provided in prior year was fully reversed during the current year (see Note 10).

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

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

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

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

	2019	2018
	RMB'000	*RMB'000*
0 – 30 days	**190,280**	185,245
31 – 60 days	**43,712**	12,552
61 – 90 days	**4,594**	13,713
Over 90 days	**125,882**	27,426
	364,468	238,936

As at 31 December 2019, included in the Group's trade receivables, net of allowance of credit loss, were debtors with an aggregate carrying amount of RMB218,589,000 (2018: RMB54,009,000) which were past due as at the reporting date. Out of the past due balances, RMB94,475,000 (2018: RMB13,286,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customer. The Group does not hold any collateral over these balances.

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

11. TRADE AND OTHER PAYABLES

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

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

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

	2019	2018
	RMB'000	*RMB'000*
0 – 30 days	**50,482**	121,069
31 – 60 days	**–**	71,387
61 – 90 days	**–**	49,684
Over 90 days	**29,633**	327
	80,115	242,467

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

12. GOODWILL

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

During the year ended 31 December 2019, due to continuing decrease of transaction volume and number of members under the less favourable domestic policy in relation to the silver exchange platform, goodwill related to the cash-generating unit, Silver Exchange Segment, amounting to RMB330,262,000 has been fully impaired (carrying amount as at 31 December 2018: RMB330,262,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

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

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

Since 2014, we have diversified from the traditional Manufacturing segment to the downstream New Jewellery Retail segment which is now operated under our subsidiary, CSMall Group Limited (Stock code: 1815) ("**CSMall Group**"). Apart from leveraging our strength and resources in the upstream business, CSMall Group has optimized its sales and marketing strategies since 2018 and gradually shifted its focus to high-margin silver jewellery products. External sales of CSMall Group for the current year amounted to approximately RMB1,248.9 million, representing approximately 31.8% of our total revenue of the current year (2018: 66.6%). Because of the one-off and non-cash share-based payment expenses of approximately RMB83.0 million in relation to the issuance of the new shares under the new employee share scheme for the year ended 31 December 2019 (please refer to the section headed "Significant Investment Held, Material Acquisition and Disposal" for details), CSMall Group recorded a segment profit of approximately RMB32.0 million for the year ended 31 December 2019 (2018: RMB180.3 million). However, if such one-off and non-cash share-based payment expenses were excluded, segment profit would have decreased by approximately 36.2% from approximately RMB180.3 million for the year ended 31 December 2018 to approximately RMB115.0 million for the year ended 31 December 2019.

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

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

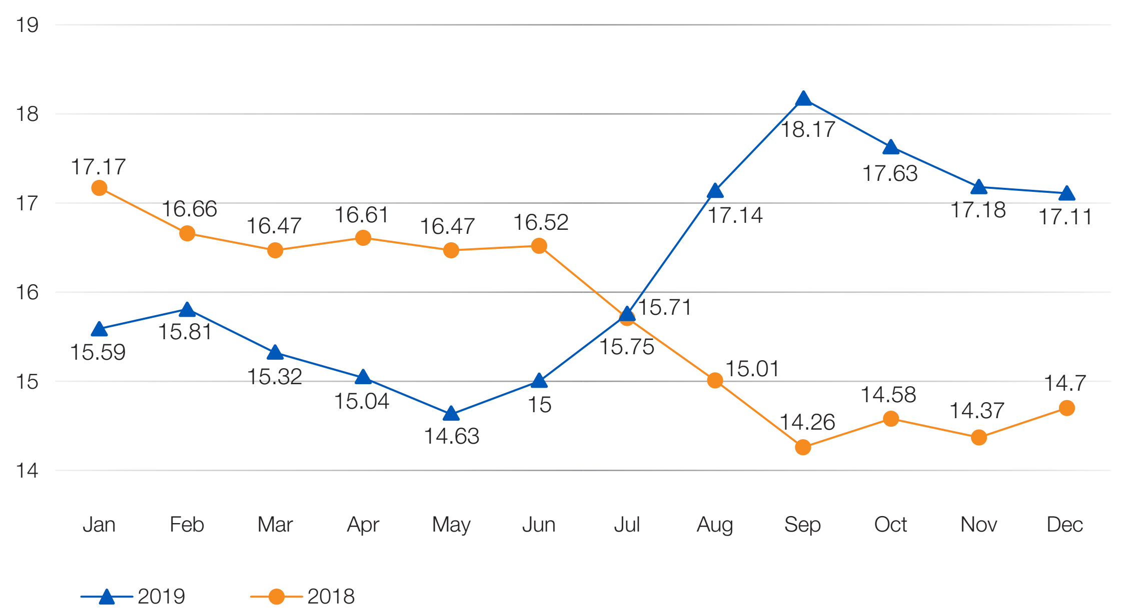
Because of the aforesaid one-off and non-cash share-based payment expenses for the New Jewellery Retail segment of approximately RMB83.0 million and non-recurring impairment loss on goodwill for the Silver Exchange segment of approximately RMB330.3 million for the year ended 31 December 2019, we saw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

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

Manufacturing segment

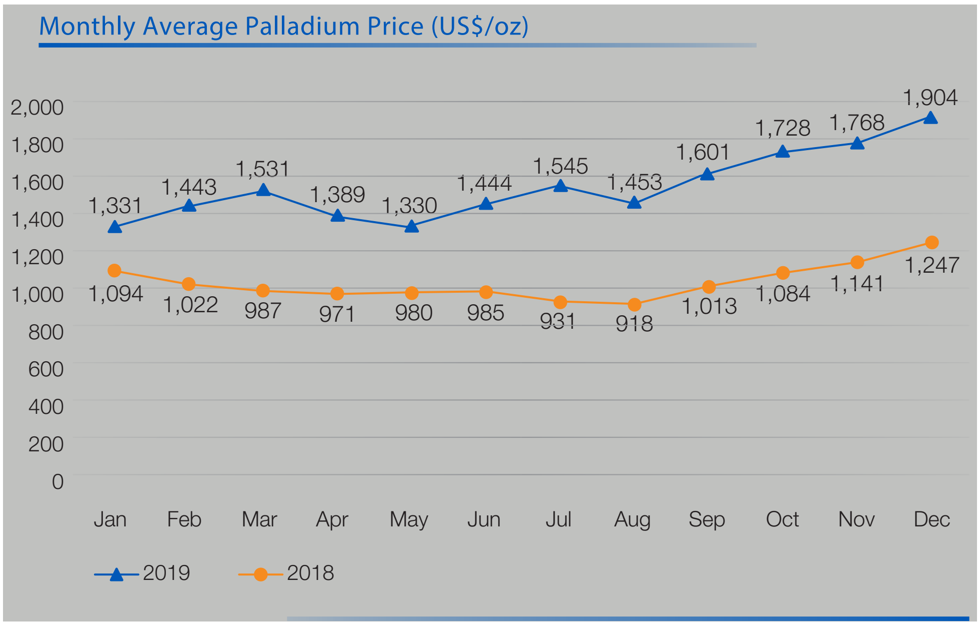
Sales of silver ingot increased from approximately RMB219.8 million to approximately RMB361.6 million for the year ended 31 December 2019, representing an increase of approximately 64.5% from that of 2018, which was mainly due to the increase in sales volume and price of silver. With the fluctuation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

Monthly Average Silver Price (US$/oz)



Source: The London Bullion Market Association

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



Source: The London Bullion Market Association

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

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

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

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

Online Sales Channels

(i) *Self-operated online platform*

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

(ii) *Television and video shopping channels*

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

(iii) *Third-party online marketplaces*

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

Offline Retail and Service Network

(i) CSmall Shops

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

(ii) Shenzhen Exhibition Hall

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

(iii) Third-party offline points of sale

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

Silver Exchange segment

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

Prospects

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

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

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

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

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

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

Financial Review

Revenue

The revenue of the Group for the year ended 31 December 2019 was approximately RMB3,927.1 million (2018: RMB3,751.2 million), representing an increase of approximately 4.7% from that of 2018.

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

Manufacturing segment

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

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

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

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

New Jewellery Retail segment operated under CSMall Group

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

Silver Exchange segment

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

Cost of sales and services provided

Manufacturing segment

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

New Jewellery Retail segment operated under CSMall Group

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

Silver Exchange segment

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

Gross profit and gross profit margin

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

Selling and distribution expenses

Selling and distribution expenses increased significantly by approximately 14.8% from approximately RMB49.6 million for the year ended 31 December 2018 to approximately RMB56.9 million for the year ended 31 December 2019. However, if the one-off and non-cash share-based payment expenses of approximately RMB19.4 million for the year ended 31 December 2019 (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 24.4% from approximately RMB49.6 million to approximately RMB37.5 million for the year ended 31 December 2019, mainly due to the decrease in advertising cost for brand promotion of the New Jewellery Retail segment operated under CSMall Group.

Administrative expenses

Administrative expenses increased significantly by approximately 30.1% from approximately RMB148.7 million for the year ended 31 December 2018 to approximately RMB193.5 million for the year ended 31 December 2019. However, if the one-off and non-cash share-based payment expenses of approximately RMB63.6 million for the year ended 31 December 2019 (please refer to the section headed "Significant Investment Held, Material Acquisition and Disposal" for details) were excluded, the administrative expenses would have decreased by approximately 12.6% from approximately RMB148.7 million for the year ended 31 December 2018 to approximately RMB129.9 million for the year ended 31 December 2019. The decrease was mainly due to a decrease in staff cost of the Group.

Other expenses

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

Income tax expense

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

(Loss) profit attributable to owners of the Company

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

Inventories, trade receivables and trade payables turnover cycle

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

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

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

Borrowings

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

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

The Group's net gearing ratio was calculated on the basis of the total bank borrowings and trade loans less bank balances and cash as a percentage of total equity. As of 31 December 2019, the Group was in a net cash position with a net gearing ratio of approximately -14.0% (as of 31 December 2018: -14.4%).

Capital expenditures

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

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

Pledge of assets

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

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

Capital commitments

	2019	2018
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– Land use right	**95,467**	182,932
– Property, plant and equipment	**1,100**	–
– Intangible assets	**36,451**	–
	133,018	182,932

Contingent liabilities

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

Employees

As of 31 December 2019, the Group employed 1,085 staff members (as of 31 December 2018: 1,165 staff members) and the total remuneration for the year ended 31 December 2019 amounted to approximately RMB179.5 million (2018: RMB116.6 million). The Group's remuneration packages are in line with the current laws in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during the year. The Group was principally financed by internal resources, trade loans and bank borrowings. The Group's principal financial instruments comprise bank balances and cash, restricted bank balances, trade and other receivables, trade and other payables, trade loans and bank borrowings. As of 31 December 2019, bank balances and cash, net current assets and total assets less current liabilities were approximately RMB610.7 million (as of 31 December 2018: RMB541.2 million), RMB2,922.2 million (as of 31 December 2018: RMB2,620.8 million) and RMB3,469.4 million (as of 31 December 2018: RMB3,376.5 million), respectively. As of 31 December 2019, the Group had bank borrowings and trade loans amounting to approximately RMB110.0 million and RMB19.4 million respectively (as of 31 December 2018: bank borrowings of RMB60.0 million).

Dividend

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

Significant Investment Held, Material Acquisition and Disposal

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

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

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

Event after the Reporting Period

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

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

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

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 the following deviation:

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

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code 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.chinasilver.hk) 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
China Silver Group Limited
Chen Wantian
Chairman

Hong Kong, 8 May 2020

As at the date of this announcement, the executive directors of the Company are Mr. Chen Wantian, Mr. Song Guosheng and Mr. Liu Jiandong; and the independent non-executive directors of the Company are Mr. Song Hongbing, Dr. Li Haitao and Dr. Zeng Yilong.