CSMall Group Limited
金 貓 銀 貓 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1815)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS OF 2017 ANNUAL RESULTS

- Consolidated revenue surged to RMB3.52 billion, representing a growth of approximately 42.8% as compared to last year
- Profit attributable to owners of the Company significantly increased from RMB50.3 million to RMB101.3 million
- Gross profit and profit for the year increased by 68.1% and 100.8% respectively as compared to last year

The board of directors (individually, a "**Director**", or collectively, the "**Board**") of CSMall Group Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Revenue	3	**3,519,581**	2,465,291
Cost of sales		**(3,268,296)**	(2,315,776)
Gross profit		**251,285**	149,515
Other income, gains and losses		**(59)**	6,147
Selling and distribution expenses		**(41,726)**	(43,398)
Administrative expenses		**(51,339)**	(44,136)
Share of results of associates		**(18)**	350
Listing expenses		**(18,645)**	(3,802)
Profit before tax		**139,498**	64,676
Income tax expense	4	**(38,557)**	(14,412)
Profit for the year	5	**100,941**	50,264
Other comprehensive (expense) income			
Item that may reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(16)**	33
Total comprehensive income for the year		**100,925**	50,297
Profit (loss) for the year attributable to:			
Owners of the Company		**101,305**	50,264
Non-controlling interests		**(364)**	—
		100,941	50,264
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**101,289**	50,297
Non-controlling interests		**(364)**	—
		100,925	50,297
Basic earnings per share (RMB)	7	**0.12**	0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**10,711**	7,767
Intangible assets		**4,351**	3,840
Interests in associates		**—**	—
Deposit paid on acquisition of property, plant and equipment		**6,920**	—
		21,982	11,607
CURRENT ASSETS			
Inventories		**342,783**	343,989
Trade and other receivables	8	**201,962**	126,392
Amount due from immediate holding company		**522**	348
Amount due from a fellow subsidiary		**—**	34,303
Amount due from a related company		**30**	—
Bank balances and cash		**338,006**	124,901
		883,303	629,933
CURRENT LIABILITIES			
Trade and other payables	9	**158,255**	50,918
Amount due to immediate holding company		**380,228**	364,908
Amounts due to fellow subsidiaries		**3,273**	477
Amount due to a related company		**760**	—
Income tax payable		**16,578**	3,883
		559,094	420,186
NET CURRENT ASSETS		**324,209**	209,747
NET ASSETS		**346,191**	221,354

	2017	2016
	RMB'000	*RMB'000*
CAPITAL AND RESERVES		
Share capital	**572**	516
Reserves	**345,619**	172,240
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**346,191**	172,756
Non-controlling interests	**—**	48,598
TOTAL EQUITY	**346,191**	221,354

FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL

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 and principal place of business of the Company are Room 1417, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

On 13 March 2018, the Company was spun-off by China Silver Group Limited ("**China Silver Group**") and listed on the Main Board of the Stock Exchange (the "**Listing**").

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 REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The International Accounting Standards Board ("**IASB**") has issued a number of amendments to IFRSs which are effective for the Group's financial year beginning on 1 January 2017. The Group has consistently applied all IFRSs issued by IASB which are effective for the Group's financial year beginning 1 January 2017.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivables for gold, silver and jewellery products sold by the Group to external customers, less discounts. An analysis of the Group's revenue is as follows:

	2017	2016
	RMB'000	*RMB'000*
Gold products	**2,744,536**	1,936,495
Silver products	**568,588**	503,303
Gem-set and other jewellery products	**206,457**	25,493
	3,519,581	2,465,291

The Group only has one operating and reportable segment. For the purposes of resource allocation and performance assessment, the senior management of the Group, being the chief operating decision maker ("**CODM**"), reviews the segment revenue and results prepared based on the same set of accounting policies.

As no discrete financial information in respect of the Group's assets and liabilities is provided to the CODM, no segment assets and liabilities information is presented accordingly, other than entity-wide disclosures disclosed below.

Geographical information

The Group's revenue is derived from the PRC, based on the location of customers, and all of its non-current assets are located in the PRC, based on the geographical location of assets. Therefore, no geographical information is presented.

Information about major customers

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

	2017	2016
	RMB'000	*RMB'000*
Customer A (Note)	**1,488,385**	N/A

Note: The Group did not have any revenue generated from Customer A in 2016.

4. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")		
– current year	**39,370**	14,412
– overprovision in respect of prior years	**(813)**	—
	38,557	14,412

The Group had no assessable profit 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 and the New Jewellery Business Units are subject to PRC EIT at the statutory rate of 25% for both years, except that Longtianyong was recognised as a High and New Technology Enterprise by the PRC tax authorities on 25 March 2014 such that it was entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2013 to 2015 and was subject to review once every three years. For the year ended 31 December 2016, Longtianyong adopted 25% as the tax rate as it had applied for the renewal but the review had not been completed. During the year ended 31 December 2017, the review has been completed such that Longtiangyong was entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2016 and therefore an overprovision of RMB813,000 has been recongised during the year ended 31 December 2017.

5. PROFIT FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**951**	934
Other staff costs:		
– salaries and other allowances	**31,131**	26,433
– retirement benefits scheme contributions	**4,187**	1,960
Total staff costs	**36,269**	29,327
Auditor's remuneration	**1,211**	—
Amortisation of intangible assets (included in selling and distribution expenses)	**2,747**	1,089
Cost of inventories recognised as an expense	**3,268,296**	2,315,776
Depreciation of property, plant and equipment	**2,368**	2,136
Operating lease rental in respect of offices and warehouses	**6,773**	6,839

6. DIVIDENDS

No dividends were paid or proposed for shareholders of the Company during the current year, nor has any dividend been proposed since the end of the reporting period.

7. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit attributable to the owners of the Company and the weighted average number of ordinary shares on the assumption that the Reorganisation had been effective on 1 January 2016 as follows:

	2017	2016
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share (RMB'000)	**101,305**	50,264
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	**828,838**	582,296
Basic earnings per share (RMB)	**0.12**	0.09

No diluted earnings per share was presented as there were no potential ordinary shares in issue for both years.

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**37,807**	56,761
Deposits and prepayments	**44,936**	68,364
Deferred and prepaid listing costs	**4,219**	1,267
Trade deposits (Note)	**115,000**	—
Total trade and other receivables	**201,962**	126,392

Note: The amounts represent trade deposits paid to suppliers.

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 60 days and requires advance deposits from its customers before delivery of goods.

The aged analysis of the Group's trade receivables based on invoice date at the end of the reporting period is as follows:

	2017	2016
	RMB'000	*RMB'000*
0 - 30 days	**33,987**	53,013
31 - 60 days	**1,033**	3,237
61 - 90 days	**1,819**	511
Over 90 days	**968**	—
	37,807	56,761

The Group did not hold any collateral over the above balances. The directors of the Company considered that no impairment loss was necessary in view of the financial background of these customers and their subsequent repayments.

9. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**134,569**	6,617
Accrued listing costs	**9,081**	4,556
Other payables and accrued expenses	**11,899**	14,529
Receipt in advance for issue of shares	**—**	7,164
Customer receipts in advance (Note)	**2,249**	7,075
Value-added tax and other taxes payables	**457**	10,977
Total trade and other payables	**158,255**	50,918

Note: The amounts represent deposits received in advance of delivery of goods to customers.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2017	2016
	RMB'000	*RMB'000*
0 - 30 days	**121,015**	6,617
61 - 90 days	**13,143**	—
Over 90 days	**411**	—
	134,569	6,617

The credit period of purchase of goods and subcontracting costs generally ranges from 20 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2017, the Group achieved outstanding performance by implementing a series of business initiatives and marketing campaigns. The Directors are delighted to report our remarkable progress as a leading integrated online and offline Internet-based jewellery retailer in the People's Republic of China (the "**PRC**").

Our integrated online and offline jewellery retail structure provides our customers with easy access to a wide spectrum of multi-tier and multi-brand jewellery products anytime, anywhere. We sell a wide selection of self-branded and third-party branded jewellery products, including gold bars, silver bars, wearable jewellery, silverwares and other collectibles. As of 31 December 2017, the products available for sales through our integrated online and offline jewellery retail structure covered 191 brands, comprising 23 self-owned brands and 168 third-party brands.

Leveraging our extensive customer reach as well as effective implementation of our strategies, our business continued to grow rapidly since its launch in 2014. Throughout 2017, the Group achieved outstanding results. The aggregate sales amounted to RMB3.52 billion, representing a significant increase of approximately 42.8% as compared to last year. Profit attributable to owners of the Company recorded RMB101.3 million.

We integrate our online and offline jewellery sales channels and develop our New Jewellery Retail Model that incorporates four complementary elements, being (i) a comprehensive e-commerce platform, (ii) easily accessible offline sales 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

As of 31 December 2017, our self-operated online jewellery platform, www.csmall.com, surpassed 7.5 million registered user accounts, with over 848 million monthly page views (PV), 168 million unique visitors (UV) and 95 million internet protocols (IP). As at 31 December 2017, the platform carried an aggregate of 191 self-owned and third-party brands which offers a comprehensive range of products to customers.

(ii) Television and video shopping channels

As at 31 December 2017, we cooperated with a total of 21 television and video shopping channels to promote and sell our jewellery products, through which we achieved satisfactory sales performance and enhanced our brand recognition among a wide range of viewers of such television and video shopping programmes in the PRC. Our major third-party online sales channels include CCTV Home Shopping, China National Radio, Tianjin Sanjia* (天津三佳) and Zhejiang Best 1*(浙江好易購).

(iii) Third-party online marketplaces

We cooperate with third-party online marketplaces and retail platforms such as Tmall, JD, Suning, Gome, Yihaodian and WeChat, 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 essential and important in the jewellery shopping experience, at our CSmall Shops.

As of 31 December 2017, we had 109 CSmall Shops located in 14 provinces and municipalities in the PRC, consisting of 9 self-operated CSmall Shops, 4 jointly operated CSmall Shops and 96 franchised CSmall Shops with presence in Anhui, Beijing, Fujian, Guangdong, Hebei, Heilongjiang, Hubei, Inner Mongolia, Jiangsu, Jiangxi, Liaoning, Shanghai, Tianjin and Zhejiang.

(ii) Shenzhen Exhibition Hall

Sales were generated from our Shenzhen Exhibition Hall with a gross floor area of approximately 2,000 square meters in Shuibei, Shenzhen. Shuibei in Shenzhen 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 through various third-party offline points of sale, which are certain commercial banks we cooperated with. For instance, we partnered with Bank of Ganzhou to distribute tailored silver collectibles to high-net-worth customers through their bank branches across the PRC.

CSMall Gift Initiatives

In September 2016, we also launched our CSmall Gift initiatives by cooperating with our CSmall Gift partners, comprising non-jewellery retailers, service providers and our franchisees, which purchased our jewellery products or CSmall Gift credits (貓券) to be used as gift redemption for their own retail customers. In order to promote our CSmall Gift initiatives in different geographic locations, we began establishing physical CSmall Gift shops in September 2017, to showcase our CSmall Gift jewellery products and provide offline jewellery fitting services for products redeemed online. To take advantage of the customer traffic that are expected to be attracted to our CSmall Gift shop, we also open one self-operated CSmall Shop next to each CSmall Gift shop. We distinguish our CSmall Gift shops from our CSmall Shops because we believe that a distinct shop that focuses on the gift experience would enhance the overall image of the CSmall Gift concept. We adopt a sales and marketing strategy where the jewellery products redeemed at our CSmall Gift shops are different from those sold at our CSmall Shops while our such new self-operated CSmall Shops will generally focus on sales of our silver products. By the end of 2017, we had three CSmall Gift shops, with a gross floor area of 120 square metres, 66 square metres and 387 square metres, respectively. We expect to open another 29 CSmall Gift shops in 2018.

Sales and Marketing Initiatives

We have been dedicated to developing and implementing effective sales and marketing initiatives in the jewellery retail market in the PRC.

We explored and developed crossover sales and marketing initiatives to increase our sales volume and expand our customer base by cooperating with branded retailers or service providers that are not directly engaged in the jewellery business. For example, we cooperated with an entertainment service provider to launch joint sales and marketing campaigns in its outlets to promote our brands and products to their customers.

In addition, we sponsored certain sports events and movie award ceremonies to promote our jewellery products and enhance our brand awareness. For example, we sponsored the China Volleyball League All-star Game held on 26 February 2017 in Shenzhen, and as the exclusive official provider of jewellery products, we provided specifically designed champion rings and silver badges to the participating volleyball stars for promotional purposes and for sales to retail customers as event souvenirs.

We have continued to refine and improve our crossover sales and marketing initiatives. In particular, through our CSMall Gift initiatives, we cooperate with our CSmall Gift partners to distribute our jewellery products as gifts to their retail customers who purchase goods or services from them. Our main targeted CSmall Gift partners primarily include department stores, branded retailers, entertainment service providers, commercial banks, telecommunications service providers, airlines and insurance companies. We had entered into CSmall Gift arrangements with 46 CSmall Gift partners as of 31 December 2017, including an automobile after-sales service provider, a branded apparel retailer and certain other goods and service providers such as Internet-based financial service provider and automobile trading service provider, and our franchisees. We will continue to implement our CSmall Gift initiatives by expanding our cooperation with more crossover market retailers and service providers in addition to our existing CSmall Gift partners. We are in the process of negotiating with a number of potential CSmall Gift partners to further implement our CSmall Gift initiatives. For prospective candidates of our new CSmall Gift partners, we would consider factors such as (i) their business scale and financial condition, (ii) the geographic coverage of their sales network, (iii) their demand for our CSmall Gift products and (iv) their ability to further develop their customer base.

Through our CSmall Gift initiatives, we diversify the manner in which we generate revenue and also expect to expand our customer base in a cost effective manner since end customers who are granted with CSmall Gift credits will need to become registered users of our self-operated online platform to claim and keep track of their CSmall Gift credits before they can redeem jewellery products thereon. We believe that our CSmall Gift initiatives not only tap into the established customer traffic of our CSmall Gift partners and transform it into our sales volumes, but also promote the sales of our CSmall Gift partners. We believe that this “win-win” initiative will help create further cooperation opportunities between us and other product and service providers in a broad range of industries and markets.

Our goal is to maintain and consolidate our position as a leading integrated online and offline Internet-based jewellery retailer in the PRC. Together with the rapid growth in our business and strategies we implemented, we are moving full speed towards this goal.

Prospects

Looking ahead, we are confident about the future jewellery market in the PRC. We believe our business will continue to benefit from the potential growth in the online jewellery retail market and the demand for affordable jewellery products in the PRC.

We will continue to embrace the product philosophy of affordable luxury and fast fashion 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 increasing demand for affordable jewellery products in the PRC.

As of 31 December 2017, we had net cash of approximately RMB338 million. Our cash position has been further strengthened by the net proceeds received from the global offering of new shares of the Company in March 2018 (the "**Global Offering**"), signifying the Group's sufficient resources in future developments. We will continue to expand and optimise our integrated online and offline jewellery retail structure, as well as to strengthen our data collection, analytical and utilisation capabilities. In addition, we will continue to enhance our product design and development capabilities and our brand recognition.

In summary, we are pleased with the numerous positive developments in our business. We will strive to the best to maintain and consolidate our position as a leading integrated online and offline Internet-based jewellery retailer in the PRC.

Financial Review

Revenue

The revenue of the Group for the year ended 31 December 2017 was approximately RMB3.52 billion (2016: RMB2.47 billion), representing an increase of approximately 42.8% from that of last year.

	Year ended 31 December,			
	2017		2016	
	Revenue *(RMB'000)*	**% of revenue**	Revenue *(RMB'000)*	% of revenue
Online Sales Channels				
Self-operated online platform	2,388,972	67.9%	1,826,708	74.1%
Third-party online sales channels	259,380	7.3%	123,820	5.0%
	2,648,352	75.2%	1,950,528	79.1%
Offline Sales and Service Network				
CSmall Shops	595,586	16.9%	384,609	15.6%
Shenzhen Exhibition Hall	248,363	7.1%	122,887	5.0%
Third-party offline points of sale	7,317	0.2%	6,740	0.3%
	851,266	24.2%	514,236	20.9%
CSmall Gift Initiatives	19,963	0.6%	527	0%
Total	3,519,581	100%	2,465,291	100%

Online Sales Channels

During 2017, the online sales channels recorded sales of RMB2,648 million (2016: RMB1,951 million), representing an increase of approximately 35.8%, as our increasing marketing recognition, our quality assurance for authenticity of our jewellery products and secure delivery contributed to the customer traffic to our self-operated online platform, thereby increasing purchases of our various types of jewellery products, including gold products.

Offline Sales and Service Network

During the year, the offline sales and service network recorded sales of RMB851 million (2016: RMB514 million), representing an increase of approximately 65.5%, mainly due to the expansion of our CSmall Shops, in particular, the franchised CSmall Shops, as we added a new multi-brand franchisee, Zhejiang Hengyin.

CSmall Gift Initiatives

In 2017, besides adding three CSmall Gift Shops, we also added a dedicated section on our self-operated online platform for the jewellery products under our CSmall Gift initiatives, featuring detailed product descriptions. Revenue from our CSmall Gift initiatives for the year ended 31 December 2017 was RMB20.0 million (2016: RMB0.5 million).

Cost of Sales and Services Provided

Cost of sales increased from RMB2,316 million to RMB3,268 million in 2017, which was generally in line with the increase in our revenue in 2017. The increase was also partially attributable to the increase in our average cost of gold and silver per gram.

Gross Profit and Gross Profit Margin

We recorded gross profit of RMB251 million (2016: RMB150 million) for the year ended 31 December 2017, an increase of approximately 68.1% as compared to that of last year mainly attributable to the sales of our silver products and gem-set and other jewellery products due to their higher gross profit margins and to a lesser extent gold products due to their large sales volumes. The overall gross profit margin increased from 6.1% to 7.1% primarily attributable to a change in production mix, with the proportion of sales of lower margin gold bars as a percentage of total revenue decreasing from 73.2% for the year ended 31 December 2016 to 64.3% for the year ended 31 December 2017.

Administrative Expenses

Administrative expenses increased by approximately 16.3% from RMB44.1 million to RMB51.3 million for the year ended 31 December 2017. The increase was primarily due to our increased staff size in line with our business development.

Selling and Distribution Expenses

Selling and distribution expenses slightly decreased by approximately 3.9% from RMB43.4 million to RMB41.7 million for the year ended 31 December 2017 primarily as a result of reduced marketing expenses as we sought to use more cost effective marketing strategies.

Other Expenses

Other expenses mainly represent the listing expenses which include the expenses incurred in connection with the Listing and the Global Offering such as underwriting commissions, professional fees paid to our reporting accountants, legal advisers and other professional advisers for their services rendered. Listing expenses of RMB18.6 million were recorded for the year ended 31 December 2017.

Income Tax Expense

Amount increased primarily due to increase in profit before tax. The effective tax rate increased from 22.3% for the year ended 31 December 2016 to 27.6% for the year ended 31 December 2017 mainly due to increase in expenses not deductible for tax purposes and reduction in utilisation of tax losses previously not recognised.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased significantly from RMB50.3 million to RMB101.3 million for the year ended 31 December 2017 mainly due to increase in gross profit partially offset by increase in listing expenses.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group's inventories mainly comprise gold bars, silver bars and jewellery products. For the year ended 31 December 2017, inventory turnover days were approximately 38.3 days (for the year ended 31 December 2016: 32.1 days) mainly as a result of the rapid expansion of our business and purchase of certain gold products towards the end of 2017 in order to fulfill customer orders in early 2018.

The turnover days for trade receivables for the year ended 31 December 2017 were approximately 4.9 days (for the year ended 31 December 2016: 13.3 days) mainly due to the tightening of our credit policies.

The turnover days for trade payables for the year ended 31 December 2017 were approximately 7.9 days (for the year ended 31 December 2016: 5.2 days) mainly due to purchase (on credit) of certain gold products towards the end of 2017 in order to fulfill customer orders in early 2018.

Borrowings

Save as aforesaid and apart from intra-group liabilities, as of 31 December 2017, we did not have any outstanding bank borrowings, debt securities, charges, mortgages, or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase and finance lease commitments, any guarantees or material contingent liabilities. We do not expect to raise material external debt financing in the near future based on our current business plans.

Capital Expenditures

For the year ended 31 December 2017, the Group invested RMB5.3 million in property, plant and equipment (2016: RMB1.3 million).

Employees

As of 31 December 2017, the Group employed 390 staff members and the total remuneration for the year ended 31 December 2017 amounted to RMB36.3 million (2016: RMB29.3 million). The Group's remuneration packages are in line with the current legislation in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during the period under review. The Group was principally financed by internal resources. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. As of 31 December 2017, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB338 million (as of 31 December 2016: RMB125 million), RMB324 million (as of 31 December 2016: RMB210 million) and RMB346 million (as of 31 December 2016: RMB221 million), respectively. As of 31 December 2017, the Group did not have bank borrowings.

Significant Investment Held, Material Acquisition and Disposal

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

Dividend

No final dividend for the year ended 31 December 2017 was proposed.

Closure of Register of Members

The register of members of the Company will be closed from 24 May 2018 to 29 May 2018 (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, 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 pm on 23 May 2018 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 "**Code**") set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2017 and up to the date of this announcement, the Company has complied with the code provisions under the Code.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2017.

Purchase, Sale or Redemption of Listing Securities

During the year ended 31 December 2017, the Company's listed securities were yet to be listed on the Stock Exchange and neither the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Event after the Reporting Period

Subsequent to 31 December 2017, the following significant events took place:

(i) On 13 March 2018, our Company successfully listed on the Main Board of the Stock Exchange. The minimum gross proceeds derived from the Global Offering, subject to the exercising of the over-allotment option amounted to HK$462 million.

(ii) Upon listing of the Company's shares on 13 March 2018 and pursuant to the resolutions of the shareholders passed on 13 February 2018 and 21 February 2018, 27,070,010 new shares of our Company were allotted and issued to China Silver Group to settle part of the amount due to immediate holding company and the remaining outstanding amount of RMB315,801,736 were capitalised as contribution reserve. All of these new shares were distributed to the qualifying shareholders of China Silver Group in proportion to their shareholding as of 26 February 2018, except for fractional entitlements of such qualifying shareholders (totalling 33 shares) which have been retained by China Silver Group.

Audit Committee

The Audit Committee has reviewed the financial reporting processes and internal control system of the Group and discussed with the external auditors the consolidated financial statements for the year ended 31 December 2017. 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 financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary 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. 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 the preliminary 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 announcement is published on the websites of the Company (www.csmall.com) and the Stock Exchange (www.hkexnews.hk). The 2017 annual report of the Company will be dispatched to the shareholders and made available on the same websites in due course.

By Order of the Board
CSMall Group Limited
Chen He
Chairman

Hong Kong, 28 March 2018

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

* *For identification purpose only*