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**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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

**HIGHLIGHTS OF 2018 INTERIM RESULTS**

- The New Jewellery Retail segment operated under our subsidiary CS Mall Group continued to perform well and contributed a segment profit of RMB94.9 million, representing its largest half year segment profit contribution since its launch in 2014
- Due to the tightening of the environmental measures beginning in the second half of 2017, the segment profit of the Manufacturing segment for the first six months of 2018 decreased to RMB37.8 million, representing a decrease of approximately 72.7% as compared to the corresponding period in 2017
- CS Mall Group successfully completed a separate listing on the Main Board of the Stock Exchange on 13 March 2018

The board of directors (individually, a “**Director**”, or collectively, the “**Board**” or the “**Directors**”) of China Silver Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017. The results for the current interim period have been reviewed by our auditor, Deloitte Touche Tohmatsu, certified public accountants in Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and the audit committee of the Company (the “**Audit Committee**”) with no disagreement.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	NOTES	Six months ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	3	1,863,348	3,106,770
Cost of sales and services provided		(1,580,009)	(2,803,732)
Gross profit		283,339	303,038
Other income		6,771	2,109
Other gains and losses		1,078	(785)
Administrative expenses		(84,508)	(71,114)
Selling and distribution expenses		(19,407)	(17,056)
Research and development expenses		(990)	(958)
Other expenses		(9,647)	(14,778)
Finance costs		(3,281)	(2,702)
Share of results of associates		(280)	(5)
Profit before tax		173,075	197,749
Income tax expense	4	(46,843)	(9,127)
Profit for the period	5	126,232	188,622
<b>Other comprehensive expense</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1,214)	(314)
Total comprehensive income for the period		125,018	188,308
Profit for the period attributable to:			
Owners of the Company		94,149	170,908
Non-controlling interests		32,083	17,714
		126,232	188,622
Total comprehensive income for the period attributable to:			
Owners of the Company		92,935	170,594
Non-controlling interests		32,083	17,714
		125,018	188,308
Earnings per share		RMB	RMB
Basic	7	0.058	0.112
Diluted		0.058	0.112

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2018**

		<b>30 June</b>	31 December
		<b>2018</b>	2017
	<i>NOTES</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>165,650</b>	167,680
Prepaid lease payments		<b>17,482</b>	17,700
Goodwill		<b>407,321</b>	407,321
Intangible assets		<b>107,220</b>	113,412
Deferred tax assets		<b>1,682</b>	2,032
Interest in an associate		<b>1,698</b>	2,554
Financial assets at fair value through other comprehensive income		<b>8,963</b>	–
Available-for-sale investment		–	8,963
Deposits paid on acquisition of property, plant and equipment		–	6,920
		<b>710,016</b>	726,582
<b>CURRENT ASSETS</b>			
Prepaid lease payments		<b>432</b>	432
Inventories		<b>1,830,493</b>	1,436,818
Trade receivables, loan receivables, deposits and prepayments	8	<b>234,027</b>	203,122
Trade deposits		<b>103,274</b>	117,731
Tax recoverable		<b>8,949</b>	13,018
Restricted bank balances		<b>275,883</b>	339,511
Bank balances and cash		<b>957,469</b>	712,492
		<b>3,410,527</b>	2,823,124
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	<b>711,637</b>	605,238
Contract liabilities	9	<b>70,434</b>	–
Customer receipts in advance		–	2,249
Deferred income		–	1,043
Income tax payable		<b>25,179</b>	27,138
Bank borrowings	10	<b>29,000</b>	110,000
		<b>836,250</b>	745,668
<b>NET CURRENT ASSETS</b>		<b>2,574,277</b>	2,077,456
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,284,293</b>	2,804,038

	<b>30 June 2018 RMB'000 (unaudited)</b>	31 December 2017 RMB'000 (audited)
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>13,246</b>	13,242
Share premium and reserves	<b>2,799,479</b>	2,610,510
	<hr/>	<hr/>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Non-controlling interests	<b>2,812,725</b>	2,623,752
	<b>441,316</b>	148,697
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>3,254,041</b>	2,772,449
	<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liability	<b>23,526</b>	24,506
Deferred income	<b>6,726</b>	7,083
	<hr/>	<hr/>
	<b>30,252</b>	31,589
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<b>TOTAL EQUITY AND NON-CURRENT LIABILITIES</b>	<b>3,284,293</b>	2,804,038
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, certain new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements. Of these, IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments”, are relevant to the Company’s condensed consolidated financial statements. The adoption of IFRS 15 and IFRS 9 does not have material impact on the Group’s results and financial positions for the current or prior periods. Details of the impacts and changes in accounting policies are discussed in note 2.

### 2. IMPACTS AND CHANGES IN ACCOUNTING POLICIES

#### (a) IFRS 15 “Revenue from Contracts with Customers”

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 “Revenue”, IAS 11 “Construction Contracts” and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 “Revenue” and the related interpretations.

Upon adoption of IFRS 15, customer receipts in advance and deferred income amounting to RMB2,249,000 and RMB1,043,000, respectively, were reclassified to contract liabilities as at the date of initial application, 1 January 2018.

Except as described above, the application of IFRS 15 has had no material financial impact on the timing and amounts of revenue recognised in prior and current periods.

#### (b) IFRS 9 “Financial Instruments”

In the current interim period, the Group has applied IFRS 9 “Financial Instruments” and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 “Financial Instruments: Recognition and Measurement”.

### *Summary of effects arising from initial application of IFRS 9*

#### *(1) Classification and measurement of financial assets*

The Group elected to present in other comprehensive income for the fair value changes of its equity investment previously classified as available-for-sale investment, of which RMB8,963,000 related to unquoted equity investment previously measured at cost less impairment under IAS 39. These investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB8,963,000 was reclassified from available-for-sale investment to financial assets at fair value through other comprehensive income.

#### *(2) Impairment under ECL model*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, loan receivables, restricted bank balances and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

At 1 January 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 and have concluded that no material financial impact exists, and therefore no adjustment to the opening retained profits at 1 January 2018 has been recognised.

### **3. REVENUE AND 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 and other non-ferrous metals in the PRC (“**Manufacturing segment**”);
- (ii) designing and sales of gold, silver and jewellery products in the PRC and Hong Kong (“**New Jewellery Retail segment**”); and
- (iii) providing professional electronic platform and related services for silver trading (“**Silver Exchange segment**”).

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

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

	Six months ended 30 June 2018					
	Manufacturing segment	New Jewellery Retail segment	Silver Exchange segment	Segment total	Elimination	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Revenue</b>						
External sales	451,878	1,343,490	67,980	1,863,348	–	1,863,348
Inter-segment sales	183,958	–	–	183,958	(183,958)	–
Total segment revenue	<u>635,836</u>	<u>1,343,490</u>	<u>67,980</u>	<u>2,047,306</u>	<u>(183,958)</u>	<u>1,863,348</u>
<b>Results</b>						
Segment results	<u>37,804</u>	<u>94,867</u>	<u>47,129</u>	<u>179,800</u>		<u>179,800</u>
<b>Non-segment items</b>						
Unallocated income, expenses, gains and losses						(3,164)
Share of result of an associate						(280)
Finance costs						(3,281)
Profit before tax						<u><u>173,075</u></u>

	Six months ended 30 June 2017					
	Manufacturing segment	New Jewellery Retail segment	Silver Exchange segment	Segment total	Elimination	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Revenue</b>						
External sales	1,258,319	1,798,717	49,734	3,106,770	–	3,106,770
Inter-segment sales	142,281	–	–	142,281	(142,281)	–
Total segment revenue	<u>1,400,600</u>	<u>1,798,717</u>	<u>49,734</u>	<u>3,249,051</u>	<u>(142,281)</u>	<u>3,106,770</u>
<b>Results</b>						
Segment results	<u>138,336</u>	<u>60,790</u>	<u>20,534</u>	<u>219,660</u>		<u>219,660</u>
<b>Non-segment items</b>						
Unallocated income, expenses, gains and losses						(19,204)
Share of results of associates						(5)
Finance costs						(2,702)
Profit before tax						<u><u>197,749</u></u>

## Geographical information

Information about the Group's revenue is presented below by geographical location based on the location of customers.

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
The PRC	1,858,987	3,106,770
Hong Kong	4,361	–
	<u>1,863,348</u>	<u>3,106,770</u>

## Analysis of revenue by products and services

An analysis of the Group's revenue by products and services is as follows:

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
<b>Manufacturing segment</b>		
Sale of silver ingots	94,067	576,731
Sale of lead ingots	157,656	285,747
Sale of palladium	–	275,032
Sale of zinc oxide	90,379	38,086
Sale of other metal by-products	109,776	82,723
	<u>451,878</u>	<u>1,258,319</u>
<b>New Jewellery Retail segment</b>		
Gold products	920,593	1,425,678
Silver products	322,209	217,246
Gem-set and other jewellery products	100,688	155,793
	<u>1,343,490</u>	<u>1,798,717</u>
<b>Silver Exchange segment</b>		
Commission income	67,037	39,616
Membership fee income	943	10,118
	<u>67,980</u>	<u>49,734</u>
	<u>1,863,348</u>	<u>3,106,770</u>

All of the Group's revenue is recognised at a point in time during the six months ended 30 June 2018.

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

#### 4. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2018</b> <i>RMB'000</i> <b>(unaudited)</b>	<b>2017</b> <i>RMB'000</i> <b>(unaudited)</b>
PRC Enterprise Income Tax (“EIT”)		
– current period	<b>46,130</b>	44,734
– under(over)provision in respect of prior years	<b>363</b>	(34,935)
	<b>46,493</b>	9,799
Deferred taxation for the period	<b>350</b>	(672)
	<b>46,843</b>	9,127

At the end of the reporting period, the Group has unused tax losses of approximately RMB9 million (31 December 2017: RMB6 million) available for offset against future profits that will expire in 2018 to 2023. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

Under the Law of the PRC on EIT (the “EIT Law”) and its related implementation regulations, the Group’s PRC subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both periods, except for two of the subsidiaries of the Company, 江西龍天勇有色金屬有限公司 (“Jiangxi Longtianyong”) and 深圳雲鵬軟件開發有限公司 (“Shenzhen Yunpeng”).

Jiangxi Longtianyong was recognised as High and New Technology Enterprise by the PRC tax authorities such that it was entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of grant, and it is subject to review once every three years. During the year ended 31 December 2016, Jiangxi Longtianyong adopted 25% as the tax rate as the review of renewal had not been completed. Subsequently in 2017, the review has been completed such that Jiangxi Longtianyong recognised a significant reversal of the PRC EIT of RMB34,708,000 in the six months ended 30 June 2017.

Shenzhen Yunpeng was recognised as Software Enterprise by the PRC tax authorities such that it was entitled to an exemption of PRC EIT for the first two consecutive years beginning from the first profit-making year and a 50% reduction for the following three consecutive years, and it is subject to review once every year.

Under the EIT Law, withholding tax is imposed on dividends payable to non-PRC shareholders which is declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in these condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately RMB1,577.8 million as at 30 June 2018 (31 December 2017: RMB1,412.8 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 5. PROFIT FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	1,578,304	2,799,986
Depreciation of property, plant and equipment	12,073	10,887
Fair value change of contingent consideration	–	10,540
Amortisation of intangible assets (included in administrative expenses and selling and distribution expenses)	9,675	8,716
Expenses and professional fees for acquisition projects and fund raising activities	9,285	6,615
Release of prepaid lease payments	218	217
Bank interest income	(2,152)	(1,185)
Loan interest income	(2,907)	–
Loss on disposal of property, plant and equipment	41	2
	<u>41</u>	<u>2</u>

## 6. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Dividends recognised as distribution during the period:		
– Final dividend of HK\$0.03 per share for the year ended 31 December 2016	–	40,779
	<u>–</u>	<u>40,779</u>

The directors of the Company do not recommend payment of an interim dividend during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

## 7. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Earnings</b>		
Profit for the period attributable to owners of the Company	94,149	170,908
	<u>94,149</u>	<u>170,908</u>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,624,156	1,526,207
Effect of dilutive potential ordinary shares:		
Share options of the Company	3,495	2,614
	<u>3,495</u>	<u>2,614</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,627,651	1,528,821
	<u>1,627,651</u>	<u>1,528,821</u>

In calculating the diluted earnings per share, the potential issue of shares arising from certain of the Company's share options would decrease the earnings per share.

## 8. TRADE RECEIVABLES, LOAN RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>30 June 2018 RMB'000 (unaudited)</b>	31 December 2017 RMB'000 (audited)
Trade receivables	115,593	43,002
Loan receivables ( <i>note</i> )	50,490	89,100
Deposits and prepayments	67,944	71,020
	<u>234,027</u>	<u>203,122</u>

*note:* Amounts represents unsecured fixed-rate loan receivables carried interest at 0.6% per month. All the loan receivables were either repayable on demand or within one year. At 30 June 2018, included in the carrying amount of loan receivables was accumulated impairment loss of RMB510,000 (31 December 2017: RMB900,000).

The aged analysis of the Group's trade receivables based on the invoice dates at the end of the reporting period, which approximates the respective revenue recognition dates is as follows:

	<b>30 June 2018 RMB'000 (unaudited)</b>	31 December 2017 RMB'000 (audited)
0 – 30 days	107,061	39,182
31 – 60 days	8,172	1,033
61 – 90 days	2	1,819
Over 90 days	358	968
	<u>115,593</u>	<u>43,002</u>

## 9. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

	<b>30 June 2018 RMB'000 (unaudited)</b>	31 December 2017 RMB'000 (audited)
Trade payables		
– aged within 30 days	85,403	124,917
– aged over 30 days	220,814	13,560
	<u>306,217</u>	<u>138,477</u>
Other payables and accrued expenses	62,658	54,196
Deposits received for using the silver exchange platform	275,883	339,511
Amount due to 上海華通白銀國際交易中心有限公司 (“Huatong International”) ( <i>note</i> )	19,946	20,446
Dividend payable	–	3,834
Value-added tax and other taxes payables	46,933	48,774
	<u>711,637</u>	<u>605,238</u>

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

The credit period of purchase of goods generally ranges from 0 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The balance of contract liabilities as at 30 June 2017 increased significantly as compared to that at 31 December 2017 because customer receipts in advance were reclassified as contract liabilities as at 30 June 2017. In addition, the number of purchase orders increased during the current interim period and more advance payments were received from customers.

## 10. BANK BORROWINGS

During the current interim period, the Group repaid bank borrowings of RMB110,000,000 (six months ended 30 June 2017: Nil) and obtained new bank borrowing of RMB29,000,000 (six months ended 30 June 2017: Nil).

Bank borrowings of RMB29,000,000 (31 December 2017: RMB110,000,000) carry interest at a fixed rate of 7.20% (31 December 2017: 6.53%) per annum and were secured by certain of the Group's assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Directors are delighted to report our progress in becoming a leading fully-integrated silver and precious metals enterprise in the People's Republic of China (the "PRC").

In 2014, we diversified from the traditional Manufacturing segment to the downstream New Jewellery Retail segment which is now operated under our subsidiary, CS Mall Group Limited (Stock code: 1815) ("CS Mall Group"). Leveraging our strength and resources in the upstream business as well as the effective implementation of our strategies, CS Mall Group continued to grow rapidly since its launch. Sales of CS Mall Group for the first six months of 2018 amounted to RMB1,343 million, representing approximately 72.1% of our total revenue for the same period (1H2017: 57.9%). Furthermore, CS Mall Group contributed a segment profit of RMB94.9 million for the first six months of 2018 (1H2017: RMB60.8 million), representing its largest half year segment profit contribution since its launch in 2014. CS Mall Group successfully completed a separate listing on the Main Board of the Stock Exchange on 13 March 2018.

In 2016, the Group further expanded the downstream business by completing the acquisition of Shanghai White Platinum & Silver Exchange\* (上海華通鉑銀交易市場有限公司 or "Shanghai Huatong"), an operator of an integrated silver exchange platform in the PRC. For the six months ended 30 June 2018, the Silver Exchange segment contributed a segment profit of RMB47.1 million (1H2017: RMB20.5 million), representing an increase of approximately 130% as compared to the corresponding period in 2017.

Nevertheless, due to the tightening of environmental measures beginning in the second half of 2017, segment profit of the Manufacturing segment for the current interim period significantly decreased to RMB37.8 million (1H2017: RMB138.3 million), representing a decrease of approximately 72.7% as compared to the corresponding period in 2017.

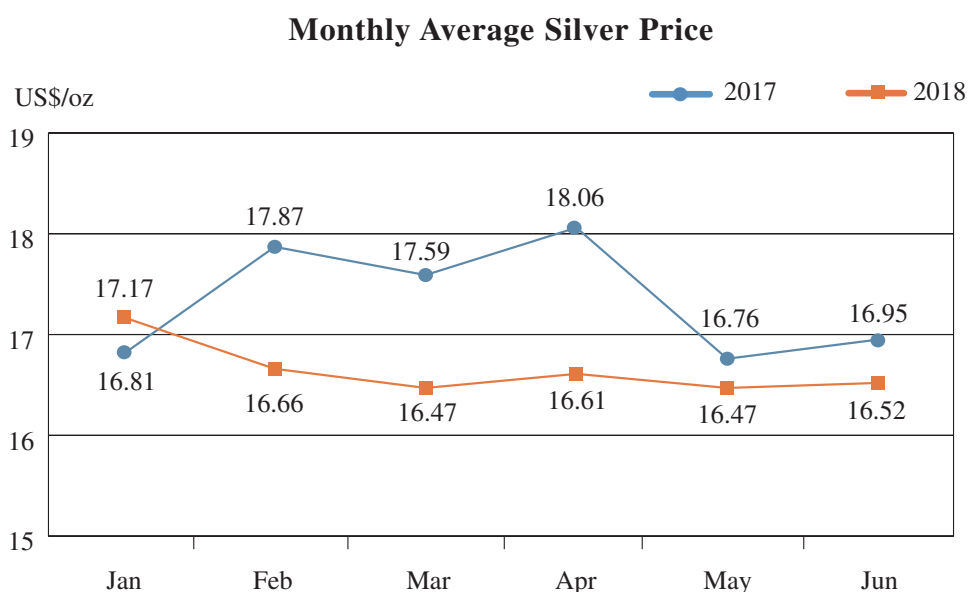
In aggregate, profit attributable to owners of the Company for the current interim period decreased to RMB94.1 million, representing a decrease of approximately 44.9% as compared to the corresponding period in 2017, mainly due to the lackluster performance in the Manufacturing segment offsetting improved performances in the other business segments, the absence of a significant reversal of an overprovision of income tax expense and the increase in the share of profit by minority interest after the spin-off of CS Mall Group.

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

## Manufacturing Segment

We are one of the leading silver producers in the PRC which manufacture high-grade silver ingots for industrial and trading purposes.

The Group applied a proprietary production model to manufacture high quality silver and other non-ferrous metals. Throughout the first half of 2018, the global silver market remained relatively stable. The graph below shows the change in international silver price quoted on the London Bullion Market Association (LBMA) from January 2018 to June 2018:



Source: *The London Bullion Market Association*

Nevertheless, due to the tightening of environmental measures beginning in the second half of 2017, the production volume of silver ingots was adversely affected. During the first half of 2018, we sold 30 tonnes (1H2017: 164 tonnes) of silver ingots to our customers and used 58 tonnes (1H2017: 35 tonnes) of silver ingots for our downstream businesses. As such, sale of other metal by-products also decreased accordingly.

## New Jewellery Retail Segment Operated under CSMall Group

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.

During the first half of 2018, CSMall Group continued to perform well.

## ***Online Sales Channels***

### *(i) Self-operated online platform*

As of 30 June 2018, the number of registered members on our self-operated online sales platform, which consists of www.csmall.com, m.csmall.com and the mobile App of “金貓銀貓CSmall”, surpassed 8.7 million, with over 420 million aggregate page views (PV), 100 million unique visitors (UV) and 65 million internet protocols (IP) for the six months ended 30 June 2018. As of 30 June 2018, the platform carried an aggregate of over 130 self-owned and third-party brands which offer a comprehensive range of products to customers.

### *(ii) Television and video shopping channels*

As of 30 June 2018, we had been cooperating with a total of 22 television and video shopping channels in the PRC to distribute our products. Our major partners 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 (天貓), JD.com (京東), Suning (蘇寧), Gome (國美), Yihaodian (1號店) 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 essential and important in the jewellery shopping experience, at our CSmall shops.

As of 30 June 2018, we had over 90 outlets across the PRC with presence in Anhui, Beijing, Fujian, Guangdong, Hebei, Heilongjiang, Hubei, Hunan, Inner Mongolia, Jiangsu, Jiangxi, Liaoning, Shanghai, Tianjin, Xinjiang and Zhejiang.

### *(ii) Shenzhen exhibition hall*

Our Shenzhen exhibition hall with a gross floor area of approximately 1,500 square meters is located 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 through various third-party offline points of sale. For instance, we partnered with banking institutions such as Bank of Ganzhou to distribute tailored silver collectibles to high-net-worth customers through their bank branches across the PRC.

## Silver Exchange Segment

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

Shanghai Huatong contributed a segment revenue of RMB68.0 million (1H2017: RMB49.7 million) and segment profit of RMB47.1 million (1H2017: RMB20.5 million) in the first half of 2018. The growth in segment revenue and segment profit as compared to the corresponding period in 2017 was mainly due to the increase in commission income on Shanghai Huatong's online platform.

## Prospects

Looking ahead, we are confident about the future of the silver, precious metals and jewellery market in the PRC.

We continue to see a gradual recovery in the demand for high-quality gold and silver products in the market. While we expect the outlook for the global financial market to remain highly uncertain in the coming years, the flight-to-safety investment trend will continue to create more interest in gold and silver products and be beneficial to our business segments.

In view of the tightening of environmental measures by the PRC government, we plan to launch a new business to utilize environmental technology to treat industrial hazardous waste (“IHW”). Leveraging the experience and expertise gained by our indirect wholly-owned subsidiary Jiangxi Longtianyong Nonferrous Metals Co., Ltd.\* (江西龍天勇有色金屬有限公司) from the recycling of rare metals extracted from IHW over the years, we aim to capture the rapidly growing hazardous waste market with advanced environmental technologies, and become a leading enterprise among Chinese IHW treatment companies in the near future.

Furthermore, as disclosed in our announcement dated 23 August 2018, Huzhou Baiyin Property Co., Ltd.\* (湖州白銀置業有限公司), an indirect non-wholly-owned subsidiary of the Company, entered into a bid-winning confirmation letter with Huzhou Municipal Bureau of Land and Resources in relation to its preferred bid for the land use rights over a land parcel located in Taihu Resort Area of Huzhou. Huzhou is located in the central area of the Yangtze River Delta, which is one of the most important markets for jewellery consumption in the PRC. Following completion of the acquisition of the land use rights, the Group intends to construct on the land parcel a “silver town” which comprises the New Jewellery Retail segment's operating headquarters, research and development centre, design centre, product exhibition centre as well as logistics and distribution centre, thereby further building an industry cluster.

As of 30 June 2018, we had net cash of approximately RMB928 million, signifying the Group's sufficient resources in potential acquisition. We have been considering various opportunities in the market and will disclose more details when appropriate.

In summary, we are pleased with the developments in the New Jewellery Retail segment and the Silver Exchange segment and will strive to the best to become a leading fully-integrated silver and precious metals enterprise in the PRC.

## Financial Review

### Revenue

The revenue of the Group for the six months ended 30 June 2018 was approximately RMB1,863 million (1H2017: RMB3,107 million), representing a decrease of approximately 40% from that of the corresponding period in 2017.

	<b>Six months ended 30 June</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Revenue</b>	<b>% of</b>	<b>Revenue</b>	<b>% of</b>
	<b>(RMB'000)</b>	<b>revenue</b>	<b>(RMB'000)</b>	<b>revenue</b>
<b>Manufacturing segment</b>				
Sale of silver ingots	<b>94,067</b>	<b>5.1%</b>	576,731	18.6%
Sale of other metal by-products	<b>357,811</b>	<b>19.2%</b>	681,588	21.9%
	<b>451,878</b>	<b>24.3%</b>	1,258,319	40.5%
<b>New Jewellery Retail segment operated under CS Mall Group</b>				
Sale of gold, silver and jewellery products	<b>1,343,490</b>	<b>72.1%</b>	1,798,717	57.9%
<b>Silver Exchange segment</b>				
Commission and related service income	<b>67,980</b>	<b>3.6%</b>	49,734	1.6%
Total	<b>1,863,348</b>	<b>100.0%</b>	<b>3,106,770</b>	<b>100.0%</b>

### Manufacturing segment

Sales of silver ingots decreased from RMB577 million to RMB94.1 million for the six months ended 30 June 2018, representing a decrease of approximately 83.7%. The decline was mainly due to the decrease in sales volume.

The average selling price of silver ingots decreased from RMB3.5 million (value-added tax exclusive) per tonne to RMB3.1 million per tonne for the current interim period due to the decline in the international silver price. Sales volume of silver ingots significantly decreased from 164 tonnes to 30 tonnes for the current interim period due to the tightening of environmental measures.

Other metal by-products such as lead ingots, palladium ingots, zinc ingots, bismuth ingots and antimony ingots are produced during the production of silver ingots. Due to the decrease in the production of silver ingots, sales of metal by-products also decreased from RMB682 million to RMB358 million for the current interim period accordingly.

### *New Jewellery Retail segment operated under CSMall Group*

During this interim period, CSMall Group recorded sales of RMB1,343 million (1H2017: RMB1,799 million), representing a decrease of approximately 25.3% as less gold products were sold during the period after CSMall Group strategically shifted its focus from gold products with a lower margin to silver and gem-set and other jewellery products with a higher margin.

### *Silver Exchange segment*

During this interim period, the Silver Exchange segment recorded sales of RMB68.0 million (1H2017: RMB49.7 million), representing an increase of approximately 36.7%, mainly due to the increase in commission income.

## **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 decrease was mainly due to the decrease in the production volume of silver ingots.

### *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 less gold products were sold during the current interim period.

### *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 mainly due to effective cost control.

## **Gross Profit and Gross Profit Margin**

We recorded gross profit of RMB283 million (1H2017: RMB303 million) for the six months ended 30 June 2018, a decrease of approximately 6.5% as compared to that of the corresponding period in 2017 mainly due to the lackluster performance in the Manufacturing segment offsetting improved performances in the other business segments. The overall gross profit margin increased from 9.8% to 15.2% for the first half of 2018 mainly due to a change in sales mix in the New Jewellery Retail segment. In particular, less low-margin gold products were sold during the current interim period.

### ***Administrative Expenses***

Administrative expenses increased by approximately 18.8% from RMB71.1 million to RMB84.5 million for the six months ended 30 June 2018. The increase was mainly due to an increase in staff salaries for the expansion in new businesses.

### ***Selling and Distribution Expenses***

Selling and distribution expenses increased by approximately 13.8% from RMB17.1 million to RMB19.4 million for the six months ended 30 June 2018 mainly due to an increase in staff salaries.

### ***Other Expenses***

Other expenses for current interim period mainly represent professional expenses of RMB9.3 million recorded for the spin-off of CS Mall Group. Amount recorded for the six months ended 30 June 2017 mainly represent the fair value change of contingent consideration resulting from the Shanghai Huatong acquisition.

### ***Income Tax Expense***

The amount increased as a reversal of an overprovision of RMB34.9 million was recorded in last period. No such amount was recorded in the current interim period.

### ***Minority Interest***

The amount increased as a major subsidiary, CS Mall Group, successfully completed a separate listing on 13 March 2018.

### ***Profit Attributable to Owners of the Company***

Profit attributable to owners of the Company significantly decreased from RMB171 million for the six months ended 30 June 2017 to RMB94.1 million for the six months ended 30 June 2018 mainly due to the lackluster performance in the Manufacturing segment offsetting improved performances in the other business segments, the absence of a significant reversal of an overprovision in income tax expense and the increase in the share of profit by minority interest after the spin-off of CS Mall Group.

### ***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 six months ended 30 June 2018, inventory turnover days were approximately 187 days (for the year ended 31 December 2017: 103 days).

The turnover days for trade receivables for the six months ended 30 June 2018 were approximately 7.7 days (for the year ended 31 December 2017: 3.5 days).

The turnover days for trade payables for the six months ended 30 June 2018 were approximately 25.5 days (for the year ended 31 December 2017: 5.6 days).

## ***Borrowings***

As of 30 June 2018, the Group's bank borrowings balance amounted to RMB29.0 million (as of 31 December 2017: RMB110.0 million). The amounts are carried at fixed interest rates and will be due for repayment within one year.

The Group's net gearing ratio was calculated on the basis of the total bank borrowings less bank balances and cash as a percentage of total equity. As of 30 June 2018, the Group was in a net cash position with a net gearing ratio of -28.5% (as of 31 December 2017: -21.7%).

## ***Pledge of Assets***

As of 30 June 2018, the Group pledged property ownership rights in respect of buildings and land use rights with total carrying value of RMB54.9 million and RMB17.9 million, respectively (as of 31 December 2017: RMB56.7 million and RMB7.7 million) to secure the general banking facilities granted to the Group. No inventory was pledged as part of the security to secure the general banking facilities granted to the Group as of 30 June 2018 (as of 31 December 2017: RMB564.6 million).

## ***Capital Expenditures***

For the six months ended 30 June 2018, the Group invested RMB10.1 million in property, plant and equipment (1H2017: RMB5.3 million).

## ***Employees***

As of 30 June 2018, the Group employed 1,239 staff members (as of 31 December 2017: 1,159 staff members) and the total remuneration for the six months ended 30 June 2018 amounted to RMB51.1 million (1H2017: RMB55.3 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 and bank borrowings. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and bank borrowings. As of 30 June 2018, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB957.5 million (as of 31 December 2017: RMB712.5 million), RMB2,574.3 million (as of 31 December 2017: RMB2,077.5 million) and RMB3,284.3 million (as of 31 December 2017: RMB2,804 million), respectively. As of 30 June 2018, the Group had bank borrowings amounting to RMB29.0 million (as of 31 December 2017: RMB110.0 million).

## **Significant Investment Held, Material Acquisition and Disposal**

On 30 August 2017, the Company proposed to carry out a spin-off and separate listing of its New Jewellery Retail segment operated under CS Mall Group on the Main Board of the Stock Exchange. The proposed spin-off constituted a deemed disposal of the Company's interest in CS Mall Group under Rule 14.29 of the Listing Rules. Further details of the proposed spin-off are set out in the announcements of the Company dated 30 August 2017, 28 November 2017, 15 December 2017, 28 February 2018 and 12 March 2018 and the circular of the Company dated 28 November 2017. CS Mall Group was separately listed on the Main Board of the Stock Exchange on 13 March 2018.

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 period.

## **Interim Dividend**

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2018 (1H2017: Nil).

## **Code of Corporate Governance Practice**

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises four executive Directors and four 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 six months ended 30 June 2018, the Company had complied with the code provisions under the Code, except for the following deviations:

Pursuant to code provision A.6.7 of the Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, four independent non-executive Directors were unable to attend the annual general meeting held on 29 May 2018.

Pursuant to code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting. Due to other business engagements, the chairman of the Board was unable to attend the annual general meeting held on 29 May 2018.

## **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 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2018.

## **Purchase, Sale or Redemption of the Listed Securities of the Company**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period ended 30 June 2018.

## **Significant Event after the Reporting Period**

On 23 August 2018, an indirect non-wholly-owned subsidiary of the Company entered into a bid-winning confirmation letter which recognised the payment of a cash deposit of RMB57 million in relation to the land use right over a land parcel in the PRC. Further details are set out in the section headed “Management Discussion and Analysis – Prospects” of this announcement and in the announcement of the Company dated 23 August 2018.

## **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 condensed consolidated financial statements for the six months ended 30 June 2018. 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.

## **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 Interim Results Announcement and Interim Report**

This announcement is published on the websites of the Company ([www.chinasilver.hk](http://www.chinasilver.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2018 interim 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  
**China Silver Group Limited**  
**Chen Wantian**  
*Chairman*

Hong Kong, 30 August 2018

*As at the date of this announcement, the executive Directors are Mr. Chen Wantian, Mr. Sung Kin Man, Mr. Song Guosheng, and Mr. Chen Guoyu; and the independent non-executive Directors are Mr. Guo Bin, Mr. Song Hongbing, Dr. Li Haitao and Dr. Zeng Yilong.*

\* *For identification purpose only*