CSMall Group Limited
金貓銀貓集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1815)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

HIGHLIGHTS OF 2018 INTERIM RESULTS

- Profit attributable to owners of the Company increased from RMB45.6 million to RMB67.4 million
- Excluding one-off professional fees relating to the listing of the Company, gross profit and profit for the period increased by 44.1% and 47.2% respectively as compared to corresponding period in 2017
- Gross profit margin and net profit margin for the period expanded to 11.7% (2017: 6.1%) and 5.0% (2017: 2.5%) respectively

The board of directors (individually, a "**Director**", or collectively, the "**Board**" or the "**Directors**") of CSMall Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2018.

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	**1,343,490**	1,798,717
Cost of sales		**(1,186,397)**	(1,689,667)
Gross profit		**157,093**	109,050
Other income, gains and losses		**8,836**	(1,381)
Selling and distribution expenses		**(17,910)**	(16,419)
Administrative expenses		**(41,321)**	(23,845)
Listing expenses		**(9,285)**	(6,615)
Profit before tax		**97,413**	60,790
Income tax expense	4	**(30,034)**	(15,335)
Profit for the period	5	**67,379**	45,455
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		**(1,437)**	(10)
Total comprehensive income for the period		**65,942**	45,445
Profit (loss) for the period attributable to:			
Owners of the Company		**67,379**	45,608
Non-controlling interests		**—**	(153)
		67,379	45,455
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**65,942**	45,598
Non-controlling interests		**—**	(153)
		65,942	45,445
		RMB	*RMB*
Basic earnings per share	7	**0.07**	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	**30 June 2018** **RMB'000** **(unaudited)**	31 December 2017 *RMB'000* *(audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		**16,856**	10,711
Intangible assets		**3,569**	4,351
Deposits paid on acquisition of property, plant and equipment		**—**	6,920
		20,425	21,982
CURRENT ASSETS			
Inventories		**391,396**	342,783
Trade and other receivables	8	**212,684**	201,962
Amount due from immediate holding company		**320**	522
Amount due from a fellow subsidiary		**256,410**	—
Amount due from a related company		**—**	30
Bank balances and cash		**651,483**	338,006
		1,512,293	883,303
CURRENT LIABILITIES			
Trade and other payables	9	**322,607**	158,255
Contract liabilities	9	**46,982**	—
Amount due to a immediate holding company		**201**	380,228
Amount due to a fellow subsidiary		**1,780**	3,273
Amount due to a related company		**760**	760
Income tax payable		**17,088**	16,578
		389,418	559,094
NET CURRENT ASSETS		**1,122,875**	324,209
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,143,300**	346,191
CAPITAL AND RESERVES			
Share capital		**711**	572
Share premium and reserves		**1,142,589**	345,619
TOTAL EQUITY		**1,143,300**	346,191

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.

Pursuant to the group reorganisation to rationalise the group structure in the preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 19 January 2017. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Details of the Reorganisation are set out in the Company's prospectus dated 28 February 2018 (the "Prospectus") and the Company's shares are successfully listed since 13 March 2018.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2017 have been prepared as if the group structure under the Reorganisation had been in existence throughout the period ended 30 June 2017 or since their respective dates of incorporation or establishment, whichever is the shorter period.

The condensed consolidated financial statements have been prepared on the historical cost basis.

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.

Summary of effects arising from initial application of IFRS 15

As at 1 January 2018 and 30 June 2018, customer receipts in advance of RMB2,249,000 and RMB46,982,000, respectively were reclassified to contract liabilities.

Without application of IFRS 15, contract liabilities of RMB2,249,000 and RMB46,982,000 would be classified as customer receipts in advance under trade and other payables as at 1 January 2018 and 30 June 2018, respectively.

On the whole, other than the reclassification of contract assets and contract liabilities, the application of IFRS 15 has no material impact on the amounts reported in these condensed consolidated financial statements.

(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 directors of the Company reviewed and assessed the Group's financial assets at 1 January 2018 based on the facts and circumstances that existed at that date. The application of IFRS 9 has had no material effect on classification and measurement of financial assets in these condensed consolidated financial statements.

(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 and other receivables, bank balances, amount due from immediate holding company and amount due from a fellow subsidiary. 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. No impairment allowance was recognised at 1 January 2018.

3. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Gold products	**920,593**	1,425,678
Silver products	**322,209**	217,246
Gem-set and other jewellery products	**100,688**	155,793
	1,343,490	1,798,717

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

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

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

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	2017
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
The PRC	**1,339,129**	1,798,717
Hong Kong	**4,361**	—
	1,343,490	1,798,717

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
PRC Enterprise Income Tax ("**EIT**")		
– current period	**29,871**	16,148
– under(over)provision in respect of prior years	**163**	(813)
	30,034	15,335

At the end of the reporting period, the Group has unused tax losses of approximately RMB9 million (31 December 2017: RMB5 million) available for offset against future profits that will expire in 2018 to 2023. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Under the Law of the PRC on EIT (the "EIT Law") and its related implementation regulations, the Group's PRC subsidiary is subject to PRC EIT at the statutory rate of 25% for both periods, except that one of the subsidiaries of the Company, 深圳雲鵬軟件開發有限公司, was recognised as Software Enterprise by the PRC tax authorities such that it was entitled to an exemption 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.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**1,186,397**	1,689,667
Depreciation of property, plant and equipment	**1,735**	1,107
Amortisation of intangible assets (included in selling and distribution expenses)	**1,331**	1,162
Operating lease rental in respect of offices and warehouses	**5,113**	2,815

6. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**67,379**	45,608
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	**966,798**	824,727
Basic earnings per share (RMB)	**0.07**	0.06

The basic earnings per share is calculated based on 824,727,000 ordinary shares on the assumption that the Reorganisation (as defined in Note 1) had been effective on 1 January 2017.

No diluted earnings per share was presented as there were no potential ordinary shares in issue for the six months ended 30 June 2017.

For the six months ended 30 June 2018, the computation of diluted earnings per share does not assume the exercise of the Company's over-allotment option because the exercise price of those options was higher than the average market price for shares.

8. TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables		
– aged within 90 days	**83,857**	36,839
– aged over 90 days	**355**	968
	84,212	37,807
Deposits and prepayments	**58,472**	44,936
Deferred and prepaid listing costs	**—**	4,219
Trade deposits (Note)	**70,000**	115,000
	212,684	201,962

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 other customers a credit period ranging from 0 to 60 days and requires advance deposits from its customers before delivery of goods.

For the credit term reviews of a trade receivable, the Group considers any changes in the credit quality of the trade receivables from the date credit initially granted up to the end of the reporting period.

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount.

9. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables		
– aged within 90 days	**267,716**	134,158
– aged over 90 days	**37,366**	411
	305,082	134,569
Accrued listing costs	**6,665**	9,081
Other payables and accrued expenses	**10,409**	11,899
Customer receipts in advance	**—**	2,249
Value-added tax and other taxes payables	**451**	457
	322,607	158,255

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 2018 increased significantly as compared to that at 31 December 2017 because customer receipts in advance were reclassified as contract liabilities as at 30 June 2018. In addition, the number of purchase orders increased during the current interim period and more advance payments were received from customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2018, the Group completed its listing on the Main Board of the Stock Exchange (the "**Listing**") and 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 30 June 2018, the products available for sales through our integrated online and offline jewellery retail structure covered 132 brands, comprising 40 self-owned brands and 92 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. As we continue to improve and expand our product mix, we have been able to substantially improve our margins. Despite a drop in revenues due to the change in product mix, increased margins have resulted in an increase in profit for the period ended 30 June 2018 compared to the same period in 2017. Profit attributable to owners of the Company reached a record RMB67.4 million for the period.

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 30 June 2018, 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 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 132 self-owned and third-party brands which offer a comprehensive range of products to customers.

(ii) Television and video shopping channels

As at 30 June 2018, we had been cooperating with a total of 22 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 (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 93 CSmall Shops located in 16 provinces and municipalities in the PRC, consisting of eight self-operated CSmall Shops, one jointly operated CSmall Shop and 84 franchised CSmall Shops 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

Sales were generated from 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 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. As of 30 June 2018, we have nine CSmall Gift partners. 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. 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. As of 30 June 2018, we had three CSmall Gift shops. We expect to open another 10 CSmall Gift shops by the end of 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 several content providers in the PRC to launch joint sales and marketing campaigns on their platforms to promote our brands and products to their customers. We also worked with a media company to post advertisements at airports, high-speed rail stations, commercial buildings and other high traffic areas. As of 30 June 2018, we have posted a total of 1681 advertisements.

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 13 April 2018 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 also partnered with CCTV to promote our CSMall platform during certain matches of the World Cup in June and July 2018.

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 have begun to implement our CSmall Gift initiatives with nine CSmall Gift partners as of 30 June 2018. 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.

In addition, on 23 August 2018, the Group, through an indirect wholly-owned subsidiary, entered into a bid-winning confirmation letter with Huzhou Municipal Bureau of Land and Resources in relation to a preferred bid for the land use rights over a land parcel in Huzhou, Zhejiang. 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 a "silver town" which comprises the Group'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.

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 30 June 2018, we had net cash of approximately RMB651.5 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 six months ended 30 June 2018 was approximately RMB1.3 billion (1H2017: RMB1.8 billion), representing an decrease of approximately 25.3% from that of the corresponding period in 2017.

	1H2018		1H2017	
	Revenue *(RMB'000)*	**% of revenue**	Revenue *(RMB'000)*	% of revenue
Online Sales Channels				
Self-operated online platform	**701,325**	**52.2%**	1,086,144	60.3%
Third-party online sales channels	**221,681**	**16.5%**	117,889	6.6%
	923,006	**68.7%**	1,204,033	66.9%
Offline Sales and Service Network				
CSmall Shops	**360,937**	**26.9%**	399,103	22.2%
Shenzhen Exhibition Hall	**12,735**	**0.9%**	190,634	10.6%
Third-party offline points of sale	**5,425**	**0.4%**	4,535	0.3%
	379,097	**28.2%**	594,272	33.1%
CSmall Gift Initiatives	**41,387**	**3.1%**	412	0.0%
Total	**1,343,490**	**100%**	1,798,717	100%

Online Sales Channels

For the six months ended 30 June 2018, the online sales channels recorded sales of RMB923 million (1H2017: RMB1,204 million), representing an decrease of approximately 23.3%, as we changed our product mix to focus on higher margin products. In particular, sales of lower margin gold products decreased from RMB1,028 million in the first half of 2017 to RMB726 million for the same period in 2018, while sales of higher margin silver and gem-set and other jewellery products increased from RMB176 million for the first half of 2017 to RMB197 million for the same period in 2018. The decrease in revenue from our self-operated online platform was mitigated by stronger sales from third-party online sales channels especially from TV shopping.

Offline Sales and Service Network

During the period, the offline sales and service network recorded sales of RMB379 million (1H2017: RMB594 million), representing an decrease of approximately 36.2%. Mirroring online sales channels, the decrease was mainly due to our switch in product mix to focus on higher margin products. Sales of lower margin gold products decreased from RMB398 million for the first half of 2017 to RMB194 million for the same period in 2018, while sales of higher margin silver and gem-set and other jewellery products remained relatively steady and declined slightly from RMB196 million for the first half of 2017 to RMB185 million for the same period in 2018. In particular, sales of our Shenzhen Exhibition Hall declined significantly as we shifted our focus away from lower margin wholesale products.

CSmall Gift Initiatives

Besides having three CSmall Gift Shops, we also have 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 six months ended 30 June 2018 jumped to RMB41.4 million (1H2017: RMB0.4 million) as we continue to implement our CSmall Gift initiatives with our CSmall Gift partners.

Cost of Sales and Services Provided

Cost of sales decreased from RMB1,690 million for the six months ended 30 June 2017 to RMB1,186 million for the six months ended 30 June 2018, which was a steeper decrease than the decrease in our revenue during the period. This was due to our shift in strategy to change our product mix to focus on higher margin products such as silver and gem-set and other jewellery products while moving away from lower margin gold products.

Gross Profit and Gross Profit Margin

We recorded gross profit of RMB157 million (1H2017: RMB109 million) for the six months ended 30 June 2018, an increase of approximately 44.1% as compared to that of the corresponding period in 2017, which was mainly attributable to the sales of our silver products and gem-set and other jewellery products due to their higher gross profit margins, which mitigated the drop in gross profit contribution from gold products due to decreased sales volume. The overall gross profit margin increased from 6.1% to 11.7% primarily attributable to a change in product mix, with the proportion of sales of gold products as a percentage of total revenue decreasing from 79.3% for the six months ended 30 June 2017 to 68.5% for the six months ended 30 June 2018, and in particular the proportion of sales of lower margin gold bars as a percentage of total revenue decreasing from 55.8% for the six months ended 30 June 2017 to 50.5% for the six months ended 30 June 2018.

Other Income, Gains and Losses

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

Administrative Expenses

Administrative expenses increased by approximately 73.3% from RMB23.8 million for the six months ended 30 June 2017 to RMB41.3 million for the six months ended 30 June 2018. The increase was primarily due to our increased staff size in line with our business development (resulting in increase in staff costs and rental and other associated office expenses) as well as increase in legal and other professional fees.

Selling and Distribution Expenses

Selling and distribution expenses slightly increased by approximately 9.08% from RMB16.4 million for the six months ended 30 June 2017 to RMB17.9 million for the six months ended 30 June 2018 primarily as a result of increase in headcount due to the expansion of our business.

Listing Expenses

Listing expenses represent expenses incurred in connection with the Listing and the Global Offering such as underwriting commissions and professional fees paid to our reporting accountants, legal advisers and other professional advisers for their services rendered. Listing expenses of RMB9.3 million were recorded for the six months ended 30 June 2018 (1H2017: RMB6.6 million).

Income Tax Expense

The amount increased primarily due to an increase in profit before tax. The effective tax rate increased from 25.2% for the six months ended 30 June 2017 to 30.8% for the six months ended 30 June 2018 mainly due to an increase in expenses not deductible for tax purposes.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased significantly from RMB45.6 million to RMB67.4 million for the six months ended 30 June 2018 mainly due to the increase in gross profit and other income, gains and losses, partially offset by the increase in administrative expenses.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group's inventories mainly comprise gold bars, silver bars and jewellery products. For the six months ended 30 June 2018, inventory turnover days were approximately 56.0 days (for the year ended 31 December 2017: 38.3 days) mainly as a result of the rapid expansion of our business and purchases at the end of the period to fulfill customer orders for the second half of 2018.

The turnover days for trade receivables for the six months ended 30 June 2018 were approximately 8.2 days (for the year ended 31 December 2017: 4.9 days) mainly due to strong sales towards the end of the period resulting in increased trade receivables at period end.

The turnover days for trade payables for the six months ended 30 June 2018 were approximately 33.5 days (for the year ended 31 December 2017: 7.9 days) mainly due to purchase (on credit) of certain products in order to fulfill customer orders for the second half of 2018.

Borrowings

Save as aforesaid and apart from intra-group liabilities, as of 30 June 2018, 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 six months ended 30 June 2018, the Group invested RMB7.9 million in property, plant and equipment (1H2017: RMB0.9 million).

Employees

As of 30 June 2018, the Group employed 403 staff members and the total remuneration for the six months ended 30 June 2018 amounted to RMB23.2 million (1H2017: RMB16.0 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 net proceeds received from the Global Offering. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. As of 30 June 2018, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB651 million (as of 31 December 2017: RMB338 million), RMB1,123 million (as of 31 December 2017: RMB324 million) and RMB1,143 million (as of 31 December 2017: RMB346 million), respectively. As of 30 June 2018, 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 period.

Interim Dividend

No interim dividend for the six months ended 30 June 2018 was proposed.

Use of Proceeds from the Global Offering

The net proceeds received by the Company from the Global Offering amounted to RMB329.3 million after deducting underwriting commissions and all related expenses; and were being kept at the bank accounts of the Group as of 30 June 2018. Such net proceeds will be used in a manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus. From the Listing on 13 March 2018 up to 30 June 2018, such proceeds had not been applied for any use.

Code of Corporate Governance Practice

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Listing Rules. From the Listing on 13 March 2018 up to 30 June 2018, the Company had complied with the code provisions under the Code except for code provision A.2.1.

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

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

The Board will continue to review the situation and consider splitting the roles of Chairman and Chief Executive Officer of the Company in due course after taking into account of the then overall circumstances of the Group.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry with all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code from the Listing on 13 March 2018 up to 30 June 2018.

Purchase, Sale or Redemption of Listed Securities

From the Listing on 13 March 2018 up to 30 June 2018, neither the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Significant Event after the Reporting Period

On 23 August 2018, an indirect 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 Results Announcement and Interim Report

This announcement is published on the websites of the Company (www.csmall.com) and the Stock Exchange (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
CSMall Group Limited
Chen He
Chairman

Hong Kong, 30 August 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*