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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)

PROFIT UPDATE

This announcement is made by China Silver Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company and potential investors that, based on the Group’s unaudited consolidated management accounts for the year ended 31 December 2022 (“**FY2022**”) (which have not been confirmed, reviewed or audited by the Company’s auditors or audit committee, and may be subject to adjustment) and other information currently available to the Group, the Group expects to record a net loss attributable to owners of the Company of RMB120 million to RMB160 million for FY2022, as compared to a net loss attributable to owners of the Company of approximately RMB2,413 million for the year ended 31 December 2021 (“**FY2021**”). The significant net loss in FY2021 was mainly attributable to the one-time write-off of inventories of approximately RMB2,409 million as a result of certain inventory of raw materials of Jiangxi Longtianyong Nonferrous Metals Co., Ltd. (江西龍天勇有色金屬有限公司) (“**Jiangxi Longtianyong**”), a major subsidiary of the Group’s manufacturing segment, being deemed to be hazardous waste and ordered to be disposed of (the “**Inventory Write-off**”). There was no inventory write-off in FY2022, which resulted in the significant narrowing down of the net loss attributable to owners of the Company in FY2022. For further details of the Inventory Write-off, please refer to the Company’s (i) inside information announcement dated 7 June 2021; (ii) interim results announcement for the first half of 2021 dated 30 August 2021; and (iii) unaudited annual results announcement for FY2021 dated 29 March 2022 and audited annual results announcement for FY2021 dated 13 May 2022.

Excluding the impact of the Inventory Write-off, the Group would have recorded a net loss attributable to owners of the Company of approximately RMB4 million for FY2021. On this basis, the aforesaid expected net loss attributable to owners of the Company of RMB100 million to RMB150 million for FY2022 would represent a year-on-year increase in net loss, which is mainly attributable to the following factors:

- (i) in respect of the Group's manufacturing segment, although Jiangxi Longtianyong's silver electrolysis production line and palladium sponge production line had successively been put into operation on a commercial scale since June and August 2022, the segment's gross profit margin for FY2022 was lower than that for FY2021, and more one-off expenses and losses relating to environmental rectification were recorded in FY2022 than in FY2021 (not including the Inventory Write-off);
- (ii) in respect of the Group's new jewellery retail segment operated under the Company's non-wholly-owned subsidiary CS Mall Group Limited (stock code: 1815) ("CS Mall"), the overall volume of sales through its online sales channels and offline retail and service network for FY2022 was lower than that for FY2021 primarily due to the resurgence of COVID-19 in various parts of China during multiple periods in FY2022, which resulted in temporary business suspensions at times and further weakened consumer sentiment in China;
- (iii) in respect of the Group's silver exchange segment, (a) the trading volume for FY2022 decreased and hence the commission income was lower than that for FY2021, primarily due to the resurgence of COVID-19 and the resulting prevention and control measures implemented in various parts of China during multiple periods in FY2022 as well as the relatively stable international silver price during FY2022, both of which reduced commodity investors' eagerness and willingness to trade silver; and (b) a non-recurring impairment loss on certain intangible assets is expected to be recognized at the end of FY2022 due to a re-estimation of the segment's expected future cash flows; and
- (iv) in respect of the Group's fresh food retail segment operated under CS Mall, which began to be consolidated as a non-wholly-owned subsidiary of CS Mall and of the Company on 10 January 2022, its "Nongmuren" S2B2C platform was still in an expansion stage (especially during the first half of 2022) with a focus on expanding the network of collaborative franchise stores and had not started to generate a net profit during FY2022.

The Company is still in the process of finalizing its annual results for FY2022. Detailed financial information and performance of the Group for FY2022 will be disclosed in the Company's annual results announcement for FY2022 which is expected to be published by the end of March 2023.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
China Silver Group Limited
Chen Wantian
Chairman

Hong Kong, 20 March 2023

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