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**CSMall Group Limited**  
**金猫银猫集团有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1815)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**HIGHLIGHTS OF 2022 ANNUAL RESULTS**

- The Group's revenue for 2022 was approximately RMB1,790.3 million (2021: RMB364.2 million), representing a significant increase of approximately 391.6% as compared to that for 2021. Such significant increase was due to the contribution of sales from the new Fresh Food Retail segment of approximately RMB1,509.8 million, which more than offset the decline in the New Jewellery Retail segment.
- For 2022, the Group recorded a loss attributable to owners of the Company of approximately RMB25.6 million (2021: profit attributable of approximately RMB0.1 million). Such turnaround from profit to loss was mainly attributable to the following factors: (i) in respect of the New Jewellery Retail segment, the volume of sales for 2022 was lower than that for 2021, recording a segment loss of approximately RMB9.1 million for 2022 (2021: segment profit of approximately RMB0.1 million), primarily due to the resurgence of COVID-19 in various parts of the PRC in 2022, which resulted in temporary business suspensions and further weakened consumer sentiment in the PRC; and (ii) in respect of the Fresh Food Retail segment, which began to be consolidated as a non-wholly-owned subsidiary of the Company on 10 January 2022, its "Nongmuren" S2B2C platform was still in an expansion stage with a focus on expanding the network of collaborative stores and had not started to generate a net profit during 2022, recording a segment loss of approximately RMB18.1 million.

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 audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**" or "**we**") for the year ended 31 December 2022 (or the "**current year**", "**this year**" or "**during the year**"), together with the audited comparative figures for the year ended 31 December 2021 (or the "**last year**" or "**prior year**").

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>	<i>4</i>	<b>1,790,311</b>	364,187
Cost of sales and services provided		<u><b>(1,737,930)</b></u>	<u>(301,080)</u>
<b>Gross profit</b>		<b>52,381</b>	63,107
Other income, net		<b>1,819</b>	2,230
Other gains and losses, net	<i>5</i>	<b>(2,389)</b>	(1,012)
Selling and distribution expenses		<b>(41,812)</b>	(29,693)
Administrative expenses		<b>(36,915)</b>	(34,532)
Research and development expenses		<b>(281)</b>	–
(Provision for) reversal of impairment loss under expected credit loss model, net	<i>12</i>	<b>(1,549)</b>	8,729
Finance costs		<u><b>(4,655)</b></u>	<u>(455)</u>
<b>(Loss) profit before income tax</b>		<b>(33,401)</b>	8,374
Income tax expense	<i>6</i>	<u><b>(870)</b></u>	<u>(8,303)</u>
<b>(Loss) profit and total comprehensive (expense) income for the year</b>	<i>7</i>	<u><b>(34,271)</b></u>	<u>71</u>
<b>(Loss) profit and total comprehensive (expense) income for the year attributable to:</b>			
Owners of the Company		<b>(25,603)</b>	71
Non-controlling interest		<u><b>(8,668)</b></u>	<u>–</u>
		<u><b>(34,271)</b></u>	<u>71</u>
		<b>RMB</b>	<b>RMB</b>
<b>(Loss) earnings per share</b>	<i>9</i>		
Basic		<u><b>(0.021)</b></u>	<u>0.000</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2022*

	<i>Notes</i>	<b>2022</b>	2021
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>12,683</b>	16,883
Goodwill	<i>15</i>	<b>12,476</b>	–
Right-of-use assets		<b>5,027</b>	8,326
Intangible assets	<i>10</i>	<b>6,196</b>	–
Deferred tax assets		<b>3,087</b>	4,317
Refundable rental deposits		<b>762</b>	707
Deposits paid on acquisition of non-current assets		<b>–</b>	93
		<b>40,231</b>	30,326
<b>CURRENT ASSETS</b>			
Inventories		<b>993,691</b>	978,469
Trade and other receivables	<i>11</i>	<b>108,667</b>	175,869
Amount due from immediate holding company		<b>13,372</b>	13,256
Tax recoverable		<b>948</b>	–
Bank balances and cash		<b>475,214</b>	312,649
		<b>1,591,892</b>	1,480,243
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>13</i>	<b>126,199</b>	83,191
Lease liabilities – current portion		<b>3,958</b>	4,069
Contract liabilities		<b>5,317</b>	2,636
Amounts due to fellow subsidiaries		<b>3,341</b>	3,763
Amounts due to related companies		<b>8,964</b>	9,010
Amount due to a non-controlling interest		<b>15,468</b>	–
Income tax payable		<b>5,637</b>	5,570
Bank borrowings	<i>14</i>	<b>84,062</b>	–
		<b>252,946</b>	108,239
<b>NET CURRENT ASSETS</b>		<b>1,338,946</b>	1,372,004
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,379,177</b>	1,402,330

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>CAPITAL AND RESERVES</b>		
Share capital	842	842
Share premium and reserves	<u>1,370,644</u>	<u>1,396,247</u>
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>		
Non-controlling interest	<u>4,326</u>	<u>–</u>
<b>TOTAL EQUITY</b>	<u>1,375,812</u>	<u>1,397,089</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	1,549	–
Lease liabilities – non-current portion	<u>1,816</u>	<u>5,241</u>
	<u>3,365</u>	<u>5,241</u>
<b>TOTAL EQUITY AND NON-CURRENT LIABILITIES</b>	<u><u>1,379,177</u></u>	<u><u>1,402,330</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 19 January 2017. The address of the registered office is Intertrust Corporate Services (Cayman) Limited, One Nexus Way, Camana Bay, Grand Cayman, KY1-9005, Cayman Islands and principal place of business in Hong Kong of the Company is Unit 5, 17/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 March 2018.

The Company is an investment holding company. The Group operates the business of design and sale of gold, silver, colored gemstones, gem-set and other jewellery products; and integrated online-and-offline sales of fresh food in the People's Republic of China (the "**PRC**"), and providing related electronic platforms and branding and software as a service ("**SaaS**") services along the agricultural supply chain in the PRC.

The immediate and ultimate holding company is China Silver Group Limited ("**China Silver Group**"), a public limited company incorporated in the Cayman Islands with its shares listed on the Main Board of the Stock Exchange.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **2.1 Basis of preparation**

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRS**") requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements has been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

### **2.1(a) Amendments to IFRSs that are mandatorily effective for the current year**

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020
Amendments to IFRS 3	Reference to the Conceptual Framework

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

### **2.1(b) New Standard and amendments to IFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and related Amendments <sup>1</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new standards, amendments to existing standards, interpretations and accounting guideline. These standards, amendments and interpretation are not expected to have a material financial impact on the Group in the future reporting periods and on foreseeable future transactions. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements. The Group intends to adopt the above new standards, amendments to existing standards, interpretations and accounting guideline when they become effective.

### 3 SEGMENT INFORMATION

The Group has two operating and reportable segments (2021: one 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) for the purposes of resource allocation and performance assessment, are as follows:

- (i) Designing and sales of gold, silver, colored gemstones and gem-set and other jewellery products in the PRC ("New Jewellery Retail segment"); and
- (ii) Integrated online-and-offline sales of fresh food in the PRC, and providing related electronic platforms and branding and SaaS services along the agricultural supply chain in the PRC ("Fresh Food Retail segment").

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

#### (a) Segment revenue and results

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

	For the year ended 31 December 2022		
	New Jewellery Retail segment <i>RMB'000</i>	Fresh Food Retail segment <i>RMB'000</i>	Consolidated <i>RMB'000</i>
<b>Revenue</b>			
External sales	<u>280,504</u>	<u>1,509,807</u>	<u>1,790,311</u>
<b>Total segment Revenue</b>	<u><u>280,504</u></u>	<u><u>1,509,807</u></u>	<u><u>1,790,311</u></u>
<b>Results</b>			
Segment results	<u><u>(9,064)</u></u>	<u><u>(18,111)</u></u>	(27,175)
<b>Non-segment items</b>			
Unallocated income, expenses, gains and losses			(1,821)
Finance costs			<u>(4,405)</u>
Loss before income tax			<u><u>(33,401)</u></u>

**(b) Segment assets and liabilities**

An analysis of the Group's assets and liabilities by operating and reportable segments is as follows:

**At 31 December 2022**

	New Jewellery Retail segment RMB'000	Fresh Food Retail segment RMB'000	Unallocated RMB'000	Total RMB'000
<b>ASSETS</b>				
Segment assets	<u>1,537,927</u>	<u>76,841</u>	<u>17,355</u>	<u>1,632,123</u>
<b>LIABILITIES</b>				
Segment liabilities	<u>171,254</u>	<u>72,751</u>	<u>12,306</u>	<u>256,311</u>

**(c) Other segment information**

**For the year ended 31 December 2022**

	New Jewellery Retail segment RMB'000	Fresh Food Retail segment RMB'000	Unallocated RMB'000	Total RMB'000
<b>Amounts included in the measure of segment profit or loss or segment assets:</b>				
Depreciation of property, plant and equipment	(4,560)	(77)	-	(4,637)
Amortisation of intangible assets	-	(774)	-	(774)
Depreciation of right-of-use assets	(2,598)	-	(523)	(3,121)
Provision for impairment loss under expected credit loss model, net	(812)	(737)	-	(1,549)
Loss on disposal of property, plant and equipment	<u>(568)</u>	<u>(1)</u>	<u>-</u>	<u>(569)</u>



### ***Geographical information***

The Group's operations are located in the PRC. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The mainland of the PRC	1,790,311	364,187	35,831	24,580
Hong Kong	-	-	551	722
	<u>1,790,311</u>	<u>364,187</u>	<u>36,382</u>	<u>25,302</u>

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

### ***Information about major customers***

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A <sup>1</sup>	N/A <sup>3</sup>	79,676
Customer B <sup>2</sup>	<u>N/A<sup>3</sup></u>	<u>37,965</u>

*Notes:*

- <sup>1</sup> Revenue from a television shopping channel contractor (included in television and video shopping channels under online sales channels) that delivered the products of the Group to the respective end users.
- <sup>2</sup> Revenue from wholesale (included in Shenzhen Exhibition Hall under offline retail and service network).
- <sup>3</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group during the relevant financial year.

#### 4. REVENUE

##### (i) Disaggregation of revenue from contracts with customers

Segments	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>By products</b>		
New Jewellery Retail segment		
– Sales of gold products	161,559	149,893
– Sales of silver products	115,409	211,331
– Sales of colored gemstones	2,842	1,926
– Sales of gem-set and other jewellery products	<u>694</u>	<u>1,037</u>
	280,504	364,187
Fresh Food Retail segment		
– Sales of fresh food products	<u>1,509,807</u>	<u>–</u>
Total	<u><u>1,790,311</u></u>	<u><u>364,187</u></u>
<b>By geographical market</b>		
The mainland of the PRC	<u><u>1,790,311</u></u>	<u><u>364,187</u></u>
<b>By sales channels</b>		
Online sales channels		
– Third-party online sales channels ( <i>Note i</i> )	248,731	227,310
– Self-operated online platform ( <i>Note ii</i> )	<u>–</u>	<u>1,145</u>
	248,731	228,455
Offline retail and service network		
– CSmall Shops ( <i>Note iii</i> )	853	13,847
– Shenzhen Exhibition Hall ( <i>Note iv</i> )	30,920	121,755
– Third-party offline points of sale	<u>–</u>	<u>130</u>
	31,773	135,732
Retail stores ( <i>Note v</i> )	<u>1,509,807</u>	<u>–</u>
Total	<u><u>1,790,311</u></u>	<u><u>364,187</u></u>

*Notes:*

- (i) Through various third-party online sales channels, including television and video shopping channels, e-commerce platform and instant messenger, sales orders are received from customers online and delivery is initiated and arranged by the channels.
- (ii) Through the Group's self-operated online platform, sales orders are received from customers online and delivery is initiated and arranged by the platform. In view of the market climate and habits of consumers, the Group had suspended the operation of its self-operated online platform since last year, so as to reduce operating and promotion expenses and move on to focus on third-party online platforms.
- (iii) It represents physical shops selling jewellery products, including self-operated CSmall Shops and franchised CSmall Shops.
- (iv) It represents jewellery products exhibition hall self-operated by the Group located in Shuibei, Shenzhen.
- (v) It represents physical stores for selling fresh food products.

All of the revenue are recognised at a point in time during the years ended 31 December 2022 and 2021.

**5. OTHER GAINS AND LOSSES, NET**

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Net exchange (loss) gain	<b>(1,820)</b>	403
Write-off of property, plant and equipment	<b>(569)</b>	(1,415)
	<b><u>(2,389)</u></b>	<u>(1,012)</u>

## 6. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PRC Enterprise Income Tax (“EIT”)		
– current year	–	3,811
– overprovision in respect of prior years	<u>(166)</u>	<u>(343)</u>
	(166)	3,468
Deferred taxation	<u>1,036</u>	<u>4,835</u>
	<u><b>870</b></u>	<u><b>8,303</b></u>

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

Under the Law of the PRC on EIT (the “EIT Law”) and its related implementation regulations, the Group’s PRC subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both years.

## 7. (LOSS) PROFIT FOR THE YEAR

Expenses included in cost of sales and services provided, selling and distribution expense and administrative expenses are analysed as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Directors’ emoluments	2,019	1,959
Other staff costs:		
– Salaries and other allowances	26,195	16,498
– Retirement benefit scheme contributions	<u>3,267</u>	<u>2,532</u>
Total staff costs	<u>31,481</u>	<u>20,989</u>
Cost of inventories and services recognised as expenses (included in cost of sales and services provided)	1,737,930	301,080
Auditor’s remuneration	989	1,078
Amortisation of intangible assets	774	–
Depreciation of property, plant and equipment	4,670	5,204
Depreciation of right-of-use assets	3,121	5,676
Expenses on short-term leases in respect of office premises and retail shops	<u>1,578</u>	<u>173</u>

## 8. DIVIDENDS

No dividends were paid, declared or proposed for ordinary shareholders of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

## 9. (LOSS) EARNINGS PER SHARE

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

	2022	2021
(Loss) profit for the year attributable to owners of the Company		
for the purpose of basic (loss) earnings per share ( <i>RMB'000</i> )	<b>(25,603)</b>	71
Weighted average number of ordinary shares for		
the purpose of basic (loss) earnings per share ( <i>in thousand</i> )	<b><u>1,237,875</u></b>	<b><u>1,237,875</u></b>

No diluted (loss) earnings per share is presented for the years ended 31 December 2022 and 2021 as there were no potential ordinary shares in issue for both 2022 and 2021.

## 10. INTANGIBLE ASSETS

	System software <i>RMB'000</i>	Platform <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>			
As at 1 January 2021 and 31 December 2021	8,795	–	8,795
Addition upon acquisition of a subsidiary ( <i>Note 16</i> )	<u>–</u>	<u>6,970</u>	<u>6,970</u>
As at 31 December 2022	<u>8,795</u>	<u>6,970</u>	<u>15,765</u>
<b>Amortisation</b>			
As at 1 January 2021 and 31 December 2021	8,795	–	8,795
Provided for the year	<u>–</u>	<u>774</u>	<u>774</u>
As at 31 December 2022	<u>8,795</u>	<u>774</u>	<u>9,569</u>
<b>Carrying values</b>			
As at 31 December 2022	<b><u>–</u></b>	<b><u>6,196</u></b>	<b><u>6,196</u></b>
As at 31 December 2021	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>–</u></b>

## 11. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables from contracts with customers	34,906	34,963
Less: allowance for expected credit losses	<u>(14,091)</u>	<u>(11,856)</u>
	<b>20,815</b>	23,107
Other receivables, deposits and prepayments	62,577	7,580
Prepayments to suppliers ( <i>Note</i> )	7,208	121,341
Value-added tax (“VAT”) recoverable	<u>18,067</u>	<u>23,841</u>
	<b><u>108,667</u></b>	<b><u>175,869</u></b>

*Note:*

Included in the balance is prepayments paid to a fellow subsidiary of the Group, Jiangxi Longtianyong Nonferrous Metals Co. Ltd.\* (江西龍天勇有色金屬有限公司)(“**Jiangxi Longtianyong**”), a wholly-owned subsidiary of China Silver Group, with a carrying amount of RMB3,976,000 as at 31 December 2022 (2021: RMB117,537,000).

\* *The English name is for identification only.*

The Group does not grant any credit period to its retail customers and generally grants its corporate customers a credit period ranging from 0 to 90 days and requires advance deposits for 30% to 100% of the contract value from its customers before delivery of goods.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 – 30 days	17,776	18,532
31 – 60 days	708	1,963
61 – 90 days	306	680
Over 90 days	<u>2,025</u>	<u>1,932</u>
	<b><u>20,815</u></b>	<b><u>23,107</u></b>

As at 31 December 2022, included in the Group's trade receivables, net of allowance of expected credit losses were debtors with aggregate carrying amount of RMB14,091,000 (2021: RMB12,036,000) which were past due as at the reporting date. Out of the past due balances, RMB1,031,000 (2021: RMB1,367,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customer. The Group does not hold any collateral over these balances.

**12. (PROVISION FOR) REVERSAL OF IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Provision for) reversal of impairment loss recognised in respect of trade receivables, net	<u>(1,549)</u>	<u>8,729</u>

**13. TRADE AND OTHER PAYABLES**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	32,760	31,150
Other payables and accrued expenses ( <i>Note (i)</i> )	76,605	35,117
VAT and other tax payables	9,421	8,702
Provision for termination of assignment contracts ( <i>Note (ii)</i> )	<u>7,413</u>	<u>8,222</u>
	<u><b>126,199</b></u>	<u><b>83,191</b></u>

*Notes:*

- (i) Included in the other payables are payables for office leasehold improvement amounted to RMB10,084,000 (2021: RMB14,767,000).
- (ii) In September 2018, Huzhou Baiyin Property Co., Ltd.\* (湖州白銀置業有限公司) (“**Huzhou Baiyin**”), an indirect wholly-owned subsidiary of the Group entered into an assignment contract (the “**Contract**”) with Huzhou South Taihu New District Management Committee (the “**Committee**”) and Huzhou Municipal Bureau of Natural Resources and Planning (the “**Bureau**”) in relation to the acquisition of the land use right over a piece of land located in Huzhou, the PRC (the “**Acquisition**”). The total consideration for the land use right was RMB285,000,000.

On 29 and 30 June 2020, Huzhou Baiyin entered into a termination agreement with the Committee and the Bureau, and a compensation agreement with the Committee, pursuant to which the Committee and the Bureau agreed to terminate the Contract and the Committee agreed to refund the deposits received amounting to RMB270,875,000 (the “**Compensation Sum**”) and compensate for (i) the capital expenditure and other expenses incurred by the Group in connection with the exploration, design and pre-construction works on the land; and (ii) certain taxes paid by another indirect wholly-owned subsidiary of the Group.

As at 31 December 2021, the Group had already paid an aggregate amount of RMB290,094,000 in relation to the Acquisition and fully received the Compensation Sum. As at 31 December 2022, however, certain pre-construction costs that had been incurred before the termination of the Acquisition remained payable by the Group, which amounted to RMB7,413,000 (2021: RMB8,222,000).

\* *The English name is for identification only.*

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

	<b>2022</b>	2021
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
0 – 30 days	<b>6,843</b>	10,219
31 – 60 days	<b>1,740</b>	–
61 – 90 days	<b>343</b>	434
Over 90 days	<b>23,834</b>	20,497
	<b>32,760</b>	31,150

The credit period of purchase of goods and subcontracting costs on processing silver products generally ranges from 1 to 90 days.

#### **14. BANK BORROWINGS**

	<b>2022</b>	2021
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
Secured bank borrowings carrying interest at fixed rate, repayable within one year and without a repayment on demand clause	<b>10,062</b>	–
Secured bank borrowings carrying interest at floating rate, repayable within one year and without repayment on demand cause	<b>74,000</b>	–
	<b>84,062</b>	–



The effective interest rate of the Group's bank borrowings (which is also equal to contracted interest rate) during the year is as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Effective interest rate per annum	<b><u>4.69%</u></b>	<u>5.31%</u>

The total banking facility granted to the Group amounted to RMB98,010,000 of which RMB84,062,000 were utilised.

The amounts are secured and/or guaranteed by (i) personal guarantee from a director of China Silver Group, Mr. Chen Wantian and his spouse; (ii) personal guarantee from a director of the Company, Mr. Qian Pengcheng; (iii) corporate guarantee and certain assets of a supplier and independent third parties; (iv) personal guarantee from directors of the subsidiary, Jiangsu Nongmuren (as defined below); and (v) corporate guarantee from a fellow subsidiary.

Bank borrowings of RMB10,062,000 as at 31 December 2022 carry interest at fixed rates, ranging from 3.9% to 14.4% per annum and RMB74,000,000 carry interest at loan prime rate plus 2.24% per annum.

## 15. GOODWILL

	<i>RMB'000</i>
<b>Cost</b>	
<b>As at 1 January 2021 and 31 December 2021</b>	–
Acquisition of a subsidiary ( <i>Note 16</i> )	<u>12,476</u>
<b>As at 31 December 2022</b>	<u>12,476</u>
<b>Impairment</b>	
<b>As at 1 January 2021, 31 December 2021 and 31 December 2022</b>	<u>–</u>
<b>Carrying values</b>	
<b>As at 31 December 2022</b>	<u>12,476</u>
As at 31 December 2021	<u>–</u>

The goodwill is allocated to the cash generating unit (“CGU”) Fresh Food Retail segment. For the purposes of impairment review, the recoverable amount of CGU is determined based on the value-in-use calculations which require the use of assumptions and estimates. The calculation uses pre-tax cash flow projections based on financial budgets approved by management using the estimated growth rate in revenue of 15%-30% covering a 5-year period. Cash flows beyond the 5-year period are expected to be similar to that of the 5th year, taking into account of the estimated terminal growth rate of 3%. The assumptions used for budgeted revenue and gross profit margin are considered with reference to the latest market condition and the historical data. The operating cash inflows generated from the Fresh Food Retail segment are mainly from the retail sales of fresh food products which cash are received upon sales, and accordingly the management considers the credit risk of cash flows to be insignificant. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the CGU. Based on the impairment review, no impairment is considered necessary as at 31 December 2022.

## 16. ACQUISITION OF A SUBSIDIARY

On 31 December 2021, Shenzhen Guojintongbao Company Limited\* (深圳國金通寶有限公司) (“**Shenzhen Guojintongbao**” which is a wholly-owned subsidiary of the Group), Bric (Suzhou) Agriculture Information Technology Co., Ltd.\* (布瑞克(蘇州)農業互聯網股份有限公司) (“**Bric Suzhou**” which was an existing shareholder of Jiangsu Nongmuren Electronic Business Corp.\* (江蘇農牧人電子商務股份有限公司) (“**Jiangsu Nongmuren**”)), Suzhou Nonggou Daohe Investment Management Center (Limited Partnership)\* (蘇州農購道合投資管理中心(有限合夥)) (“**Suzhou Nonggou Daohe**” which was an existing shareholder of Jiangsu Nongmuren), Mr. Sun Tong (who was the controlling shareholder of Bric Suzhou and Suzhou Nonggou Daohe) and Jiangsu Nongmuren entered into an investment agreement, pursuant to which the Group shall obtain 51% effective ownership in Jiangsu Nongmuren in cash consideration by way of capital injection of RMB26,000,000 payable in cash to Jiangsu Nongmuren in two installments.

Jiangsu Nongmuren is a company incorporated in the PRC limited by shares. Jiangsu Nongmuren is the developer and operator of the “農牧人” (“Nongmuren”) supply chain and sales platforms, which conducts integrated online-and-offline sales of fresh food in the PRC, and provides related electronic platforms and branding and SaaS services in the PRC. This transaction was completed on 10 January 2022 and Jiangsu Nongmuren became a non-wholly owned subsidiary of the Group. This acquisition enables the Group to expand its market share in the fresh food industry.

\* *The English name is for identification only.*

***Consideration through capital injection***

	<i>RMB'000</i>
Cash consideration paid	9,000
Cash consideration payable	17,000
	<hr/>
	26,000
	<hr/> <hr/>

***Assets acquired and liabilities recognised at the date of acquisition***

	<i>RMB'000</i>
Property, plant and equipment	158
Intangible asset	6,970
Trade and other receivables	119,787
Inventories	165
Bank balances and cash	1,398
Trade and other payables	(96,422)
Bank borrowings	(3,795)
Deferred tax liabilities	(1,743)
	<hr/>
	26,518
	<hr/> <hr/>

*RMB'000*

**Goodwill on acquisition**

Consideration to be satisfied	26,000
Add: non-controlling interest	12,994
Less: net assets acquired	(26,518)
	<hr/>
	12,476
	<hr/> <hr/>

***Net cash inflow arising on acquisition***

*RMB'000*

Bank balances and cash acquired	<u><u>1,398</u></u>
---------------------------------	---------------------

The non-controlling interest is measured at the non-controlling interest's proportionate share of above provisional fair value of the identifiable net assets of Jiangsu Nongmuren.

Acquisition-related costs of RMB240,000 have been charged to administrative expenses in the consolidated statement of profit or loss and other comprehensive income and in the operating cash flows in the consolidated statement of cash flows for the year ended 31 December 2022.

The goodwill is attributable to the workforce and industry experience of the acquired business. It will not be deductible for tax purposes.

The revenue included in the consolidated statement of profit or loss and other comprehensive income for the period from 1 January 2022 to 31 December 2022 contributed by Jiangsu Nongmuren was RMB1,509,807,000. Jiangsu Nongmuren contributed loss of RMB18,111,000 over the same period.

Had Jiangsu Nongmuren been consolidated from 10 January 2022, the financial impact to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 would be immaterial.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

2022 was an extraordinary year and the third year since the outbreak of the COVID-19 epidemic (the “**Epidemic**”), when the retail industry experienced too many ups and downs. The internal and external operating environment was under extreme pressure, with many companies in the retail industry making losses and only few making profit.

Against the backdrop of many uncertainties with the changes in the overall domestic and foreign economic situation and the repeated outbreaks of the Epidemic, the New Jewellery Retail segment of the Group, as a typical player in the consumer discretionary sector, was under great pressure. As affected by the Epidemic, the segment revenue decreased by approximately 23.0% as compared with last year. Therefore, the Group has explored and considered suitable business opportunities outside the New Jewellery Retail segment in recent years so as to diversify its business risks. The Group has successfully diversified its business by tapping into the consumer staples sector, being the newly introduced segment this year, the Fresh Food Retail segment. The Fresh Food Retail segment brought encouraging revenue to the Group in 2022. In 2022, the Group recorded revenue of approximately RMB1,790.3 million, representing a significant increase of approximately RMB1,426.1 million as compared to approximately RMB364.2 million for 2021. However, since the new business of the Fresh Food Retail segment was in an early stage of rapid growth, spendings on operating costs were required to expand the sales channels rapidly. For the year ended 31 December 2022, the Group’s loss attributable to owners of the Company was approximately RMB25.6 million (2021: net profit of approximately RMB0.1 million).

## **New Jewellery Retail segment**

In 2022, the outbreak of the Epidemic in many places in the Mainland China had a serious impact on offline retail. The Group slowed down the expansion plan of its offline stores this year, and cautiously selected sites for opening 4 new stores and closed 20 stores in the year. The total number of stores reduced to 22. In the past three years, the Group continued to improve online sales operations by expanding online sales channels and through new marketing models including short video marketing, e-commerce live streaming and online celebrity (KOL) promotion in reliance on the strong traffic of third-party platforms. However, in 2022, the escalated Epidemic prevention and control measures in many places in the Mainland China hindered logistics and transportation, and the e-commerce industry without express delivery was basically put on a halt. In addition, as the relevant national authorities implemented regulations over various e-commerce live streaming platforms and intensified supervision over top streamers who cooperated with the Group previously, the sales through e-commerce live streaming was greatly affected in 2022.

The Group has always embraced diversified product sales. The Group is still optimistic about the room for appreciation and market potential of colored gemstones this year. In particular, as the annual production volume of scarce ruby mines has seen a downward trend, which has intensified the rarity of rubies, the market price of high-quality rubies has increased steadily in the recent years, increasingly demonstrating the investment, value preservation and value appreciation functions of rubies. In particular, high-quality rubies are rare in the market and have become the focus of ruby collectors. Due to the scarcity and the properties of value preservation and value appreciation of rubies, the Group will carefully consider its sales strategy and gradually expand the sales market, and we believe that rubies will see a long-term and stable price increase.

## ***Online Sales Channels***

### *(i) Third-party online sales channels*

For the year ended 31 December 2022, relying on the strong traffic of third-party platforms, the Group enhanced its online sales through new marketing models including short video marketing, e-commerce live streaming and KOL promotion. For the year ended 31 December 2022, we cooperated with third-party online platforms including JD.com (京東), Suning (蘇寧), Tmall (天貓), WeChat (微信), TikTok (抖音), Xiaohongshu (小紅書) and 15 television and video shopping channels in the PRC to promote and sell our jewellery products. We became a core supplier in the gold, silver and jewellery category of all top television channels, which enabled us to achieve satisfactory sales performance. With a daily coverage of over 100 million home viewers in the PRC, our brand awareness among Chinese viewers of television and video shopping channels was enhanced substantially.

Short-video and KOL promotion has become a vital part of our brand marketing. Their content becomes the core of every aspect of our brand marketing, sales and operation.

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

In view of the market climate and habits of consumers, the Group had suspended the operation of the self-operated online platform since last year, so as to reduce operating and promotion expenses and move on to focus on third-party online sales channels.

## ***Offline Retail and Service Network***

### *(i) CSmall Shops*

We offer intimate on-the-ground sales and services to our customers at our CSmall Shops, including jewellery fitting and maintenance services, which we believe are indispensable to the jewellery shopping experience. For the year ended 31 December 2022, due to the impact of the Epidemic on offline retail sales, the Group slowed down our offline store expansion plan, adjusted the layout of offline business outlets, closed 20 stores and opened 4 new stores. As of 31 December 2022, the Group had 22 CSmall Shops located in 9 provinces and municipalities in the PRC, consisting of 22 franchised CSmall Shops with presence in Beijing, Gansu, Heilongjiang, Henan, Shaanxi, Sichuan, Tibet, Xinjiang and Zhejiang.

*(ii) Shenzhen Exhibition Hall*

We sell products at the Shenzhen Exhibition Hall in Shuibei, Shenzhen, which is generally believed to be home to the PRC's largest and leading jewellery trading and wholesale market. The 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 franchisees.

*(iii) Third-party offline points of sale*

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

**Fresh Food Retail segment**

On 31 December 2021, the Group entered into an investment agreement for investment in Jiangsu Nongmuren Electronic Business Corp.\* (江蘇農牧人電子商務股份有限公司) (“**Jiangsu Nongmuren**”) which is the developer and operator of the “農牧人” S2B2C (supply chain to business to customer) platform (“**Nongmuren**”, meaning farmers and herdsmen). The Nongmuren platform, officially launched in May 2021, provides branding and SaaS (software as a service) services along the agricultural supply chain in the PRC.

Through the investment, the Group expands its business operations from the retail of jewellery, a non-essential good, to the retail of agricultural products, an essential good, thereby digitally empowering another traditional industry, namely the agricultural products industry, and promoting the modernization of agricultural industry. This business brought encouraging revenue to the Group in 2022.



At present, Nongmuren has covered most of the farmers' markets in Suzhou, the PRC with nearly 1,000 stores, and the total number of stores was nearly 5,000 over 16 cities across the country. Leveraging the advantages of the single-product supply chain, Nongmuren launched the "Meat Shopkeeper (肉掌櫃)" platform in 2022 for pork, an everyday product with rigid demand. Digitization was realized for the whole process from fresh pork production to consumption by citizens through empowerment of small and medium-sized businesses by the S2B2C digital supply chain model. For store owners, the purchase price is lower, and the profit margin of trading is higher. For Nongmuren, it can more accurately estimate sales volume, making it easier to achieve zero inventory and reduce storage costs; on the other hand, after the "Meat Shopkeeper" platform arranges delivery, Nongmuren can save substantial costs on self-built warehouses and cold chains through cooperation with stall owners and merchants in terms of logistics and distribution, with merchants in charge of logistics and distribution. The stalls and stores at farmers' markets join the "Meat Shopkeeper" platform without any franchise fees, and they place orders from channels of Nongmuren and are subject to assessment and supervision through the "Nongmuren – Meat Shopkeeper (農牧人—肉掌櫃)" application. Directly from slaughterhouses to stall owners at farmers' markets, with end-to-end communication between stall owners and pork producers, followed by direct supply of meat through cold chain logistics systems, the two intermediate layers of wholesaling are eliminated. Also, by empowering mom-and-pop stores, Nongmuren does not require any preposition warehouses (i.e. in-town service stations for storage and distribution), thus saving the burden of contract performance costs. With the reduction in the layers of circulation, consumers can enjoy lower prices.

In 2022, as the Nongmuren "Meat Shopkeeper" platform was still in the initial stage of rapid growth, the business-end channels had been expanded quickly through subsidies and incentives to acquire a large number of customer-end users. In 2022, the Nongmuren fresh S2B2C business only relied on the single pork product of the "Meat Shopkeeper" to overcome the severe impact of the Epidemic in core markets such as Shanghai and Jiangsu. Approximately 5,000 stores were opened and revenue of approximately RMB1,509.8 million was recorded, representing approximately 84.3% of the Group's revenue for 2022. The business is expected to become the core business and the main source of future profit of the Group.

## PROSPECTS

Looking to the future, a continued focus on digital marketing is one of the keys for the Group to promote sustainable growth. The Group's New Jewellery Retail segment and Fresh Food Retail segment are both new empowerments for traditional industries through digital marketing. For the Fresh Food Retail segment, Nongmuren Meat Shopkeeper (農牧人肉掌櫃) stores will be operated in a refined manner. A complete digital system covering pig farming to pork sales at in-town stores will be provided through S2B2C/F2B2C (farm to business to customer): each city will have an independent management system that encompasses store renovation, cash register system, electronic scales and other hardware and software facilities.

In the first half of 2022, for the Fresh Food Retail segment, the Nongmuren Meat Shopkeeper platform implemented the single-city operation model and simultaneously expanded its coverage through opening new stores in more cities, essentially reaching the scale of centralized procurement. In the second half of 2022, the focus was placed on optimizing and improving the single store model and delving deeper into the supply chain to directly procure from producers, so as to empower stores with product supply capabilities that come with higher stability, guaranteed quality and competitive prices; the store community operation model was completed to enable stores to increase their revenue, thus improving profitability at a single-store or single-city level. Stores will be further empowered in terms of branding, marketing, supply chain, informatization and other aspects, with a focus on improving the operations of stores as a community and strengthening community-based supply chain capabilities, thereby continuously boosting store revenue growth through the monetization of private domain traffic in store communities. At present, the fresh food category mainly focuses on the single product of pork. Pork is one of the largest fresh single products in the PRC. About 700 million pigs are slaughtered every year, and the retail scale exceeds RMB2 trillion. Therefore, there is sufficient market scale and room for profitability. In 2022, Nongmuren already achieved remarkable performance with the pork-based "Meat Shopkeeper" only. In 2023, Nongmuren plans to successively launch new platforms for other fresh food categories such as "Cow Shopkeeper (牛掌櫃)", "Sheep Shopkeeper (羊掌櫃)", "Fish Shopkeeper (魚掌櫃)" and "Noodle Shopkeeper (麵掌櫃)" to continue to replicate its business model for beef, mutton, seafood, fresh noodles and other major single products and increase its market share.

The Group is also looking for new business growth drivers for its New Jewellery Retail segment. In particular, its SISI brand has started to focus on the green and environmentally friendly pet hair lab-grown diamond product category. Leveraging on the price advantages, environmental friendliness, wide variety (with colored diamonds and special-shaped diamonds), high-tech sense and other attributes of lab-grown diamonds, we have put forward the brand concept of “planting love for it (為它種愛)” for the first time, whereby we will cultivate pet hair into diamonds and integrate the love for pets through advanced technologies by growing diamonds with the DNA of pets. As of 2022, according to the 2020 White Paper on the Pet Industry in China, the number of registered pets in the PRC has exceeded 110 million, and the number of pets not covered by statistics is even larger. The market size of the pet industry in the PRC is expected to reach RMB449.5 billion by 2024. In 2022, the average annual per-pet consumption spending of pet owners in first- and second-tier cities reached RMB3,000 to RMB10,000. With the focus on the pet market with a size of hundreds of billion of Renminbi, the Group will roll out pet DNA diamonds under its SISI brand, targeting at young pet owners. By extracting a small amount of pet hair as “seeds”, the invisible love and limited time between pets and their owners will be cultivated into unique customized diamonds by authoritative diamond synthesis laboratories. In contrast to traditional jewellery sales channels, we will promote this to-be-popularized brand through online new media, and recruit offline city agents, so that pet stores, pet hospitals and their private domain traffic will become the promoters and sellers of SISI pet DNA diamonds. With part of the high gross profit margin of lab-grown diamonds to be shared with channel dealers, the sales channels will be quickly expanded. Moreover, given its customized nature, this product will not require a large amount of inventory to be stockpiled, and the advantage of low operating costs will become the highlight of this new business.

Besides, apart from synthetic lab-grown diamonds, the Group will continue to be optimistic about the room for appreciation and market potential of colored gemstones. Due to the scarcity and the properties of value preservation and value appreciation of rubies, the Group will carefully consider its sales strategy and gradually expand the sales market, and rubies will see a long-term and stable price increase.

In view of the huge impact of the Epidemic on the jewellery retail industry in recent years and the many uncertainties in the post-Epidemic era, the Group also explores and considers suitable business opportunities inside and outside of the jewellery industry from time to time to diversify its business risks, in order to enable the Group to expand its experience, capabilities and resources in the new Internet retail field to other vertical Internet fields and make its business more diversified. The Group expects that the three-year shadow cast by the Epidemic will soon dissipate. We expect consumption in the Chinese market to rise moderately this year. With the expansion into new business areas, the Group is confident that it will continue to bring good returns to shareholders in the future.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group for the year ended 31 December 2022 was approximately RMB1,790.3 million (2021: RMB364.2 million), representing a significant increase of approximately 391.6% from that of 2021, mainly due to strong contribution from the newly acquired Fresh Food Retail segment despite part of the increase being offset by the weaker performance from New Jewellery Retail segment.

	2022		2021	
	Revenue <i>RMB'000</i>	% of revenue	Revenue <i>RMB'000</i>	% of revenue
<b>New Jewellery Retail Segment</b>				
<b><i>Online Sales Channels</i></b>				
Third-party online sales channels	248,731	13.9%	227,310	62.4%
Self-operated online platform	–	0.0%	1,145	0.3%
	<u>248,731</u>	<u>13.9%</u>	<u>228,455</u>	<u>62.7%</u>
<b><i>Offline Retail and Service Network</i></b>				
CSmall Shops	853	0.1%	13,847	3.8%
Shenzhen Exhibition Hall	30,920	1.7%	121,755	33.5%
Third-party offline points of sale	–	0.0%	130	0.0%
	<u>31,773</u>	<u>1.8%</u>	<u>135,732</u>	<u>37.3%</u>
<b>Fresh Food Retail Segment</b>	<u>1,509,807</u>	<u>84.3%</u>	–	–
<b>Total</b>	<u><u>1,790,311</u></u>	<u><u>100.0%</u></u>	<u><u>364,187</u></u>	<u><u>100.0%</u></u>

## **New Jewellery Retail Segment**

### ***Online Sales Channels***

During the year, the online sales channels recorded sales of approximately RMB248.7 million (2021: RMB228.5 million), representing an increase of approximately 8.9%. This was mainly due to the increase in sales through third-party online sales channels since the Group has cooperated with various top livestreaming sales influencer in the PRC to achieve more sales exposure during the year.

### ***Offline Retail and Service Network***

During the year, we closed 20 stores and opened 4 new stores, and the offline retail and service network recorded sales of approximately RMB31.8 million (2021: RMB135.7 million), representing a significant decrease of approximately 76.6%, mainly due to the closure of most of our physical CSmall Shops this year which align with the change of our sales strategy from offline sales to online sales and the decrease in sales from Shenzhen Exhibition Hall due to the worsened economic conditions and the change in consumer behaviour from offline shopping to online shopping. Also, the resurgence of COVID-19 in various parts of the PRC during the year which resulted in temporary business suspensions also had a negative effect on our performance in the offline retail and service network segment.

## **Fresh Food Retail Segment**

During the year, the newly acquired Fresh Food Retail segment, which conducts integrated online-and-offline sales of fresh food in the PRC, and provides related electronic platforms and branding and SaaS (software as a service) services along the agricultural supply chain in the PRC, recorded sales of approximately RMB1,509.8 million (2021: nil).

## **Cost of Sales and Services Provided**

Cost of sales and services provided significantly increased from approximately RMB301.1 million for the year ended 31 December 2021 to approximately RMB1,737.9 million for the year ended 31 December 2022, representing a significant increase of approximately 477.2%, mainly due to the contribution from the newly acquired Fresh Food Retail segment for the year.

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

We recorded gross profit of approximately RMB52.4 million for the year ended 31 December 2022 (2021: RMB63.1 million), a decrease of approximately 17.0% as compared to that of 2021 and the gross profit margin also decreased from approximately 17.3% to approximately 2.9%, mainly due to the increase of sales from the new Fresh Food Retail segment which has a lower gross profit margin.

## **Other Income, Gains and Losses**

Other income decreased to approximately RMB1.8 million for the year ended 31 December 2022 from approximately RMB2.2 million for the year ended 31 December 2021, the amount mainly represented the bank interest income and government grants received during the year.

Other gains and losses increased to a net loss of approximately RMB2.4 million for the year ended 31 December 2022 from a net loss of approximately RMB1.0 million for the year ended 31 December 2021. In the current year, the amounts mainly represented the net exchange losses.

## **Selling and Distribution Expenses**

Selling and distribution expenses increased by approximately 40.8% from approximately RMB29.7 million for the year ended 31 December 2021 to approximately RMB41.8 million for the year ended 31 December 2022, primarily contributed by the increase in selling and distribution expenses contributed from the Fresh Food Retail segment which outweighed the decrease in the selling and distribution expenses in the New Jewellery Retail segment.

## **Administrative Expenses**

Administrative expenses increased by approximately 6.9% from approximately RMB34.5 million for the year ended 31 December 2021 to approximately RMB36.9 million for the year ended 31 December 2022. The closure of most of the physical CSmall Shops has resulted in a general decrease in administrative expenses of the New Jewellery Retail segment during the year, however, the effect was outweighed by the increase in administrative expenses contributed from the new Fresh Food Retail segment during the year.

## **Income Tax Expense**

The amount decreased primarily due to the decrease in assessable profit.

## **(Loss) Profit Attributable to Owners of the Company**

For the year ended 31 December 2022, we recorded a loss attributable to owners of the Company of approximately RMB25.6 million (2021: profit of approximately RMB0.1 million). Such turnaround from profit to loss is mainly attributable to (i) in respect of the Group's New Jewellery Retail segment, the volume of sales decreased during the year primarily due to temporary business suspensions and further weakened consumer sentiment in the PRC; (ii) in respect of the Group's Fresh Food Retail segment, which began to be consolidated as a non-wholly-owned subsidiary of the Company on 10 January 2022, its "Nongmuren" S2B2C platform was still in an expansion stage with a focus on expanding the network of collaborative stores and had not started to generate a net profit during the year; and (iii) there was a net reversal of impairment loss under expected credit loss model recorded as an income of approximately RMB8.7 million in last year, where this year there was a provision of such impairment loss recorded as an expense of approximately RMB1.5 million.

## **Inventories, Trade Receivables and Trade Payables Turnover Cycle**

The Group's inventories mainly comprise silver bars, colored gemstones, jewellery products, gold bars and fresh food products. For the year ended 31 December 2022, inventory turnover days were approximately 207.1 days (for the year ended 31 December 2021: 988.7 days). The decrease was attributable to the introduction of the sales of fresh food products under the new Fresh Food Retail segment which generally has a shorter turnover cycle.

The turnover days for trade receivables for the year ended 31 December 2022 were approximately 4.5 days (for the year ended 31 December 2021: 51.6 days), the decrease in turnover days was mainly due to the newly acquired Fresh Food Retail segment which generally granted a relatively shorter credit terms for its customers than other segments.

The turnover days for trade payables for the year ended 31 December 2022 were approximately 6.7 days (for the year ended 31 December 2021: 54.1 days), the decrease was mainly due to the newly acquired Fresh Food Retail segment which has a relatively shorter repayment terms from its suppliers.

## Bank Borrowings

As of 31 December 2022, the Group's bank borrowings balance amounted to approximately RMB84.1 million (as of 31 December 2021: nil), of which approximately RMB10.1 million of bank borrowings was carried at fixed interest rate and approximately RMB74.0 million was carried at floating interest rate. The bank borrowings would be due for repayment within one year.

The Group's net gearing ratio was calculated on the basis of the bank borrowing less bank balances and cash as a percentage of total equity. As of 31 December 2022, the Group was in a net cash position with a net gearing ratio of approximately -28.4% (as of 31 December 2021: -22.4%).

## Capital Expenditures

For the year ended 31 December 2022, the Group invested approximately RMB0.8 million in property, plant and equipment (2021: RMB14.7 million).

For the year ended 31 December 2022, the Group did not pay additional deposits and other direct cost in relation to the acquisition of land use right (2021: RMB30.9 million).

## Pledge of Assets

As at 31 December 2022, none of the Group's assets was pledged (2021: nil).

## Capital Commitments

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure in respect of acquisition of contracted for but not provided in the consolidated financial statements:		
– Plant and equipment	<u>–</u>	<u>140</u>



## **Contingent Liabilities**

During the year, Jiangxi Jiyin Company Limited\* (江西吉銀實業有限公司) (“**Jiangxi Jiyin**”), a subsidiary of the Group, provided a corporate guarantee of RMB250,000,000 to Jiangxi Longtianyong, a fellow subsidiary of the Group and a subsidiary of China Silver Group Limited, to obtain a bank borrowing. If Jiangxi Longtianyong fails to repay the bank borrowing based on the borrowing terms in the borrowing agreement, Jiangxi Jiyin will become liable to compensate such bank accordingly (for the year ended 31 December 2021: nil).

## **Employees**

As of 31 December 2022, the Group employed 280 staff members (as of 31 December 2021: 176 staff members) and the total staff cost for the year ended 31 December 2022 amounted to approximately RMB31.5 million (2021: RMB21.0 million). The increase was mainly due to the contribution from the new Fresh Food Retail Segment in the current year. The Group’s remuneration packages are in line with the current laws in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group’s financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

## **Liquidity and Financial Resources**

The Group maintained a healthy liquidity position during the year. The Group was principally financed by internal resources, net proceeds received from the global offering of the Company in 2018 (the “**Global Offering**”), net proceeds received from the strategic issuance of the Company to Mr. Yao Runxiong in 2019 (the “**Strategic Issuance**”) and bank borrowings. The Group’s principal financial instruments comprise bank balances and cash, trade and other receivables, as well as trade and other payables and bank borrowings. As of 31 December 2022, the bank balances and cash, net current assets and total assets less current liabilities were approximately RMB475.2 million (as of 31 December 2021: RMB312.6 million), RMB1,338.9 million (as of 31 December 2021: RMB1,372.0 million) and RMB1,379.2 million (as of 31 December 2021: RMB1,402.3 million), respectively.

## Dividend

No final dividend for the year ended 31 December 2022 was proposed (2021: nil).

## Significant Investment Held, Material Acquisition and Disposal

### *Entering into the Investment Agreement in relation to acquisition of the 51% effective ownership in Jiangsu Nongmuren (the “Target Company”)*

On 31 December 2021, Shenzhen Guojintongbao, Bric Suzhou (as an existing shareholder of the Target Company), Suzhou Nonggou Daohe (as an existing shareholder of the Target Company), Mr. Sun Tong (as the actual controller of Bric Suzhou and Suzhou Nonggou Daohe) and the Target Company entered into an investment agreement (the “**Investment Agreement**”), pursuant to which Shenzhen Guojintongbao shall obtain 51% effective ownership in the Target Company in consideration for the capital injection of RMB26,000,000 payable in cash to the Target Company in two installments of which the first installment of RMB6,000,000 shall be paid on or before 10 January 2022 and the second installment of RMB20,000,000 shall be paid on or before 31 May 2022.

On 10 January 2022, the Group made the first installment of capital injection in an amount of RMB6,000,000 to the Target Company. On 2 April 2022, the Group made a further capital injection of RMB3,000,000 out of the second installment of RMB20,000,000 to the Target Company. Since the Target Company’s pace of business expansion during 2022 was slowed down by the resurgence of COVID-19 in various parts of the PRC, the Group has not made the remaining RMB17,000,000 out of the second installment of capital injection as at the date of this announcement, and the exact timing of making such capital injection will depend on the Target Company’s actual funding needs.

Incorporated in 2015, the Target Company is the developer and operator of the “農牧人” (“**Nongmuren**”, meaning farmers and herdsmen) S2B2C platform officially launched in May 2021, which conducts integrated online-and-offline sales of fresh food in the PRC, and provides related electronic platforms and branding and SaaS (software as a service) services along the agricultural supply chain in the PRC.

On 10 January 2022, all of the conditions precedent under the Investment Agreement were fulfilled and completion of the transaction contemplated under the Investment Agreement (other than the payment of the second installment of the capital injection to the Target Company) took place accordingly. Immediately upon completion, the Target Company is consolidated as a non-wholly-owned subsidiary of the Group with 51% effective ownership. Further details of the transaction are set out in the joint announcements dated 31 December 2021 and 10 January 2022.

Save as disclosed above, the Group did not hold any significant investment nor did the Group carry out any significant acquisition and disposal during the year ended 31 December 2022.

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

There is no material subsequent event after the reporting period.

## **OTHERS**

### **Closure of Register of Members**

The register of members of the Company will be closed from Monday, 12 June 2023 to Thursday, 15 June 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the annual general meeting to be held on Thursday, 15 June 2023, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 9 June 2023 for registration of transfer.

### **Code of Corporate Governance Practice**

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. As at the date of this announcement, the Board comprises two executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) . Throughout the year ended 31 December 2022, the Company has complied with the code provisions under the CG Code except for code provision C.2.1.

Code provision C.2.1 of the CG Code 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 chief executive officer of the Company. He has been leading the Group for many years since he joined the Group in 2013. He has been the driving force behind the Group's 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 He 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 have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2022.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

### **Audit Committee**

The Audit Committee of the Company (the “**Audit Committee**”) has reviewed the financial reporting processes, risk management and internal control systems of the Group and discussed with the external auditor the audited consolidated financial statements for the year ended 31 December 2022. The Audit Committee is of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

## **Scope of Work of Linksfield CPA Limited**

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's auditor, Linksfield CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 28 March 2023. The work performed by Linksfield CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Linksfield CPA Limited on this announcement.

## **Acknowledgement**

Gratitude is expressed to the management and all of our staff for their hard work and dedication, as well as our shareholders and customers for their continuous support to the Group.

## **Publication of Results Announcement and Annual Report**

This audited annual results announcement is published on the websites of the Company ([www.csmall.com](http://www.csmall.com)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2022 annual report of the Company will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By Order of the Board  
**CSMall Group Limited**  
**Chen He**  
*Chairman*

Hong Kong, 28 March 2023

*As at the date of this announcement, the executive directors of the Company are Mr. Chen He and Mr. Qian Pengcheng; and the independent non-executive directors of the Company are Mr. Yu Leung Fai, Mr. Hu Qilin and Mr. Zhang Zuhui.*

\* *For identification purpose only*