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**中國白銀集團**

CHINA SILVER GROUP

**CHINA SILVER GROUP LIMITED**

**中國白銀集團有限公司**

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

**(Stock Code: 815)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

### **HIGHLIGHTS OF 2023 INTERIM RESULTS**

The Group's revenue for 1H2023 was approximately RMB2,812.5 million (1H2022: RMB952.3 million), representing a significant increase of approximately 195.3% as compared to that for 1H2022.

For 1H2023, the Group recorded a profit attributable to owners of the Company of approximately RMB16.2 million (1H2022: loss attributable of approximately RMB29.9 million). Such turnaround from loss to profit was mainly attributable to the following factors:

- (i) in respect of the Group's Manufacturing segment, as the silver electrolysis production line and palladium sponge production line have successively been put into operation on a commercial scale since June and August 2022 after the segment's suspension of production for more than a year, the amount of external sales of silver ingots for 1H2023 was significantly higher than that for 1H2022. Besides, output-value-based subsidies provided by the local government led to a slight reduction in the per-unit cost of sales. These reasons resulted in a net profit for the segment for 1H2023; and

- (ii) in respect of the Group's Silver Exchange segment, although the trading volume and hence commission income for 1H2023 remained low due to commodity investors' continued lukewarm eagerness and willingness to trade silver under relatively stable international silver prices, the segment still recorded a net profit for 1H2023.

The aforesaid favourable factors were partially offset by the following unfavourable factors:

- (iii) in respect of the Group's New Jewellery Retail segment, the sales volume for 1H2023 remained low due to continuously weak consumer sentiment caused by slower-than-expected domestic economic recovery, while fixed costs less dependent on sales volume such as administrative expenses were still incurred, resulting in a net loss for the segment for 1H2023; and
- (iv) in respect of the Group's Fresh Food Retail segment, the "Nongmuren" S2B2C platform was still in a consolidation stage with a focus on optimizing its network of collaborative stores, diversifying its product offerings and adjusting its business strategies. Besides, hog prices in Mainland China have shown a downward trend since the fourth quarter of 2022 which reduced the Shopkeepers' appetite for trade and thus amount of hog purchased during 1H2023. For these reasons, the sales volume for 1H2023 was significantly lower than that for 1H2022, while the cost of sales and other related costs and expenses were also significantly reduced accordingly. Overall, given its status of development, the segment had not started to generate a net profit during 1H2023.

The board of directors (individually, a "**Director**", or collectively, the "**Board**" or the "**Directors**") of China Silver Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**" or "**we**") for the six months ended 30 June 2023 ("**1H2023**", "**the period**", "**current period**", "**current interim period**" or "**reporting period**") together with the comparative figures for the corresponding period in 2022 ("**1H2022**"). The results for the current interim period have been reviewed by the audit committee of the Company (the "**Audit Committee**") with no disagreement.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
	<i>NOTES</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(unaudited)</b>	(unaudited)
<b>Revenue</b>	4	<b>2,812,469</b>	952,318
Cost of sales and services provided		<u><b>(2,745,818)</b></u>	<u>(917,852)</u>
<b>Gross profit</b>		<b>66,651</b>	34,466
Other income, net		<b>6,992</b>	3,326
Other gains and losses, net		<b>(2,602)</b>	(3,423)
Selling and distribution expenses		<b>(16,244)</b>	(21,483)
Administrative expenses		<b>(37,449)</b>	(47,783)
Research and development expenses		<b>(524)</b>	(539)
Provision for impairment loss under expected credit loss model, net	10	<b>(1,418)</b>	(309)
Finance costs		<u><b>(13,483)</b></u>	<u>(7,191)</u>
<b>Profit (loss) before income tax</b>		<b>1,923</b>	(42,936)
Income tax (expense) credit	5	<u><b>(137)</b></u>	<u>457</u>
<b>Profit (loss) for the period</b>	6	<b>1,786</b>	(42,479)
<b>Other comprehensive expenses, net of income tax</b>			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Fair value loss on investment in an equity instrument at fair value through other comprehensive income (“FVTOCI”)		<u><b>(17)</b></u>	<u>(14)</u>
<b>Total comprehensive income (expense) for the period</b>		<u><u><b>1,769</b></u></u>	<u><u>(42,493)</u></u>

		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
	<i>NOTE</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(unaudited)</b>	(unaudited)
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Company		<b>16,164</b>	(29,948)
Non-controlling interests		<b>(14,378)</b>	(12,531)
		<b><u>1,786</u></b>	<b><u>(42,479)</u></b>
<b>Total comprehensive income (expense) for the period attributable to:</b>			
Owners of the Company		<b>16,147</b>	(29,962)
Non-controlling interests		<b>(14,378)</b>	(12,531)
		<b><u>1,769</u></b>	<b><u>(42,493)</u></b>
<b>Earnings (loss) per share</b>			
	<i>8</i>	<b><i>RMB</i></b>	<b><i>RMB</i></b>
Basic		<b>0.01</b>	(0.02)
Diluted		<b>0.01</b>	(0.02)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2023*

		<b>30 June 2023</b>	31 December 2022
	<i>NOTES</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>124,988</b>	127,814
Goodwill		<b>12,476</b>	12,476
Right-of-use assets		<b>22,815</b>	20,763
Intangible assets		<b>32,072</b>	34,321
Deferred tax assets		<b>6,080</b>	6,295
Refundable rental deposits		<b>919</b>	762
Equity instrument at FVTOCI		<b>7,331</b>	7,348
Deposits paid on acquisition of non-current assets		<b>827</b>	2,721
		<b>207,508</b>	212,500
<b>CURRENT ASSETS</b>			
Inventories		<b>1,137,521</b>	1,056,274
Trade and other receivables	9	<b>132,679</b>	111,594
Income tax recoverable		<b>784</b>	1,385
Restricted bank balances		<b>39,997</b>	5,291
Pledged bank deposits		<b>204,900</b>	166,900
Bank balances and cash		<b>598,224</b>	589,225
		<b>2,114,105</b>	1,930,669
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	<b>569,099</b>	417,368
Amount due to a non-controlling interest		<b>20,762</b>	15,467
Lease liabilities – current portion		<b>5,937</b>	3,721
Contract liabilities		<b>16,976</b>	17,012
Deferred income		<b>2,182</b>	2,182
Income tax payable		<b>6,028</b>	8,165
Bank borrowings	12	<b>426,500</b>	406,382
		<b>1,047,484</b>	870,297
<b>NET CURRENT ASSETS</b>		<b>1,066,621</b>	1,060,372
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,274,129</b>	1,272,872

	<b>30 June 2023 RMB'000 (unaudited)</b>	31 December 2022 RMB'000 (audited)
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>15,935</b>	15,935
Share premium and reserves	<b>436,950</b>	420,803
	<hr/>	<hr/>
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>		
Non-controlling interests	<b>452,885</b>	436,738
	<b>806,767</b>	821,145
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>1,259,652</b>	1,257,883
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<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<b>1,452</b>	1,549
Lease liabilities – non-current portion	<b>2,395</b>	1,718
Deferred income	<b>10,630</b>	11,722
	<hr/>	<hr/>
	<b>14,477</b>	14,989
	<hr/>	<hr/>
<b>TOTAL EQUITY AND NON-CURRENT LIABILITIES</b>	<b>1,274,129</b>	1,272,872
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 1. BASIS OF PREPARATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of 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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

#### Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17 and Amendments to IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

The Group’s operating segments, based on information reported to the chief operating decision makers (“CODMs”) (i.e. the executive directors of the Company) for the purposes of resource allocation and performance assessment, are as follows:

- (i) manufacturing, sales and trading of silver ingots, palladium and other non-ferrous metals in the People’s Republic of China (the “PRC”) (“**Manufacturing segment**”);
- (ii) designing and sales of gold, silver, colored gemstones and gem-set and other jewellery products in the PRC (“**New Jewellery Retail segment**”);
- (iii) providing professional electronic platform and related services for trading of silver ingots (“**Silver Exchange segment**”); and
- (iv) integrated online-and-offline sales of fresh food in the PRC, and providing related electronic platforms and branding and SaaS (software as a service) 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:

	Six months ended 30 June 2023				Segment total RMB’000 (unaudited)	Elimination RMB’000 (unaudited)	Consolidated RMB’000 (unaudited)
	Manufacturing segment RMB’000 (unaudited)	New Jewellery Retail segment RMB’000 (unaudited)	Silver Exchange segment RMB’000 (unaudited)	Fresh Food Retail segment RMB’000 (unaudited)			
<b>Revenue</b>							
External sales	2,584,609	141,867	7,887	78,106	2,812,469	-	2,812,469
Inter-segment sales*	36,392	-	-	-	36,392	(36,392)	-
Total segment revenue	<u>2,621,001</u>	<u>141,867</u>	<u>7,887</u>	<u>78,106</u>	<u>2,848,861</u>	<u>(36,392)</u>	<u>2,812,469</u>
<b>Results</b>							
Segment results	<u>36,050</u>	<u>(7,723)</u>	<u>2,091</u>	<u>(11,256)</u>	<u>19,162</u>		19,162
<b>Non-segment items</b>							
Unallocated income, expenses, gains and losses							(7,217)
Unallocated finance costs							<u>(10,022)</u>
Profit before income tax							<u>1,923</u>

	Six months ended 30 June 2022						Consolidated RMB'000 (unaudited)
	Manufacturing segment RMB'000 (unaudited)	New Jewellery Retail segment RMB'000 (unaudited)	Silver Exchange segment RMB'000 (unaudited)	Fresh Food Retail segment RMB'000 (unaudited)	Segment total RMB'000 (unaudited)	Elimination RMB'000 (unaudited)	
<b>Revenue</b>							
External sales	102,020	160,949	12,012	677,337	952,318	-	952,318
Inter-segment sales*	83,669	28	-	-	83,697	(83,697)	-
Total segment revenue	<u>185,689</u>	<u>160,977</u>	<u>12,012</u>	<u>677,337</u>	<u>1,036,015</u>	<u>(83,697)</u>	<u>952,318</u>
<b>Results</b>							
Segment results	<u>(15,800)</u>	<u>(3,078)</u>	<u>3,455</u>	<u>(12,868)</u>	<u>(28,291)</u>		(28,291)
<b>Non-segment items</b>							
Unallocated income, expenses, gains and losses							(8,489)
Unallocated finance costs							<u>(6,156)</u>
Loss before income tax							<u>(42,936)</u>

\* Inter-segment sales are carried out on terms agreed between counterparties.

**(b) Geographical information**

The Group's operations are located in the PRC. All of the Group's revenue during the six months ended 30 June 2023 and 2022 are generated in the PRC.

#### 4. REVENUE

##### Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<b>By types of goods and services</b>		
<b>Manufacturing segment</b>		
– Sales of silver ingots	<u>2,584,609</u>	<u>102,020</u>
<b>New Jewellery Retail segment</b>		
– Sales of gold products	96,029	103,407
– Sales of silver products	44,322	55,694
– Sales of colored gemstones	1,369	1,307
– Sales of gem-set and other jewellery products	<u>147</u>	<u>541</u>
	<u>141,867</u>	<u>160,949</u>
<b>Silver Exchange segment</b>		
– Commission income	<u>7,887</u>	<u>12,012</u>
<b>Fresh Food Retail segment</b>		
– Sales of fresh food products	<u>78,106</u>	<u>677,337</u>
<b>Total</b>	<u><u>2,812,469</u></u>	<u><u>952,318</u></u>

All of the revenue are recognised at a point in time during the six months ended 30 June 2023 and 2022.

## 5. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
PRC Enterprise Income Tax (“EIT”)		
– current period	–	518
– under (over) provision in respect of prior periods	<u>19</u>	<u>(1,340)</u>
	<b>19</b>	(822)
Deferred tax	<u>118</u>	<u>365</u>
	<b><u>137</u></b>	<b><u>(457)</u></b>

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

Under the Law of the PRC on EIT (the “EIT Law”) and its related implementation regulations, the Group’s PRC subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both periods, except for Shanghai Huatong Silver Exchange Company Limited (上海華通鈾銀交易市場有限公司) (“Shanghai Huatong”) has been recognised as a High and New Technology Enterprise during the current interim period, such that it is entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2020 to 2022 and was subject to review once every three years.

## 6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Cost of inventories and services recognised as expenses (included in cost of sales and services provided)	<b>2,745,818</b>	917,852
Depreciation of property, plant and equipment	<b>8,708</b>	9,183
Depreciation of right-of-use assets	<b>2,653</b>	2,252
Amortisation of intangible assets	<b>2,249</b>	5,702
Bank interest income	<b>(2,020)</b>	(1,376)
Net exchange loss	<b>2,562</b>	1,176
Loss on disposal of property, plant and equipment	<b>38</b>	2,155
Gain on disposal of a subsidiary	<b>–</b>	(18)
Expenses on short-term leases in respect of office premises and retail shops	<b>822</b>	1,609

## 7. DIVIDENDS

No dividends were paid, declared or proposed for the ordinary shareholders of the Company during the current interim period (six months ended 30 June 2022: nil). The directors of the Company have determined that no dividend will be paid in respect of both interim periods.

## 8. EARNINGS (LOSS) PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Earnings (loss)</b>		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share <i>(RMB'000)</i>	<u><u>16,164</u></u>	<u><u>(29,948)</u></u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share <i>(in thousand)</i>	<u><u>1,781,344</u></u>	<u><u>1,781,344</u></u>

For the six months ended 30 June 2023 and 2022, the computation of diluted earnings (loss) per share does not assume the exercise of the Company's outstanding options because the effect of exercise of these options was anti-dilutive.

## 9. TRADE AND OTHER RECEIVABLES

	<b>30 June</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade receivables for contracts with customers	<b>34,870</b>	35,199
<i>Less: allowance for expected credit losses</i>	<u><u>(15,761)</u></u>	<u><u>(14,343)</u></u>
	<b>19,109</b>	20,856
Other receivables, deposits and prepayments <i>(Note i)</i>	<b>90,003</b>	67,034
Prepayments to suppliers <i>(Note ii)</i>	<b>3,679</b>	3,227
Value-added tax ("VAT") recoverable	<u><u>19,888</u></u>	<u><u>20,477</u></u>
	<u><u>132,679</u></u>	<u><u>111,594</u></u>

*Notes:*

- (i) The balance mainly represents prepayments for technical service and purchase of goods under the Group's Fresh Food Retail segment.
- (ii) The balance represents prepayments for purchase of inventories under the Group's New Jewellery Retail segment.

Before accepting any new customer, other than those settling by cash or credit cards, the Group assesses the potential customer's credit quality and defines its credit limits based on reputation of the customer in the industry. The Group does not grant any credit period to its retail customers and generally grants its corporate customers a credit period not more than 90 days and requires advance deposits 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:

	<b>30 June 2023 RMB'000 (unaudited)</b>	31 December 2022 RMB'000 (audited)
0-30 days	<b>9,707</b>	17,694
31-60 days	<b>2,089</b>	732
61-90 days	<b>661</b>	312
Over 90 days	<b>6,652</b>	2,118
	<b>19,109</b>	20,856

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. Details of impairment assessment of trade receivables for the six months ended 30 June 2023 and 2022 are set out in Note 10.

## 10. PROVISION FOR IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Provision for impairment loss recognised in respect of trade receivables, net	<u>1,418</u>	<u>309</u>

The basis of determining the inputs and assumptions and the estimation techniques used in estimation of expected credit loss in respect of trade receivables in these condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022.

## 11. TRADE AND OTHER PAYABLES

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Trade payables	46,430	32,912
Other payables and accrued expenses ( <i>Note i</i> )	188,614	119,515
Bills payables ( <i>Note ii</i> )	244,800	206,800
Deposits received for using the silver exchange platform	39,997	5,291
Amount due to Huatong International ( <i>Note iii</i> )	19,135	19,184
VAT and other tax payables	9,910	13,453
Provision for environmental pollution rectification	12,800	12,800
Provision for termination of assignment contracts ( <i>Note iv</i> )	<u>7,413</u>	<u>7,413</u>
	<u>569,099</u>	<u>417,368</u>

*Notes:*

- (i) Included in the other payables are payables for office leasehold improvement amounting to RMB2,584,000 (31 December 2022: RMB10,084,000) and interest payables amounting to RMB89,000 (31 December 2022: RMB248,000).
- (ii) As at 30 June 2023, bills payables amounting to RMB244,800,000 (31 December 2022: RMB206,800,000) are secured by pledged bank deposit. Among the total bills payables, the bills payables amounting to RMB136,800,000 (31 December 2022: RMB166,900,000) are also secured by corporate guarantee executed by a subsidiary of CSMall Group Limited and an independent third party and assets held by an independent third party (31 December 2022: same).
- (iii) Huatong International (上海華通白銀國際交易中心) is a company which the Group held 18% equity interest and accounted for as an equity investment at FVTOCI. The amount was non-trade in nature, unsecured, interest-free and repayable on demand.
- (iv) In September 2018, Huzhou Baiyin Property Co., Ltd\* (湖州白銀置業有限公司) (“**Huzhou Baiyin**”), an indirect non 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 “**Huzhou Municipal 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 (the “**Termination Agreement**”) with the Committee and the Huzhou Municipal Bureau, and a compensation agreement with the Committee, pursuant to which the Committee and the Huzhou Municipal 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 non 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 30 June 2023, 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 (31 December 2022: RMB7,413,000).

\* *The English name is for identification only*

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

	<b>30 June 2023 RMB'000 (unaudited)</b>	31 December 2022 RMB'000 (audited)
0-30 days	<b>14,970</b>	6,845
31-60 days	<b>5,083</b>	1,750
61-90 days	<b>569</b>	343
Over 90 days	<b>25,808</b>	23,974
	<b>46,430</b>	32,912

The credit period of purchase of goods and subcontracting costs generally is not more than 90 days. The Group has financial risk management policies in place to ensure that all payables are settled.

## 12. BANK BORROWINGS

The total banking facility granted to the Group amounted to RMB450,000,000 (31 December 2022: RMB480,331,000) of which RMB426,500,000 (31 December 2022: RMB406,382,000) were utilised as at 30 June 2023.

As at 30 June 2023, bank borrowing are secured and/or guaranteed by (i) leasehold land and building with aggregate carrying amount of RMB15,807,000 and RMB58,391,000 respectively; (ii) personal guarantee and properties held by a director of the Company, Mr. Chen Wantian and his spouse; (iii) personal guarantee, corporate guarantee and certain assets of a supplier and independent third parties; and (iv) personal guarantee from directors of subsidiaries (31 December 2022: (i) leasehold land and building with aggregate carrying amount of RMB16,025,000 and RMB61,205,000 respectively; (ii) personal guarantee and properties held by a director of the Company, Mr. Chen Wantian and his spouse; (iii) corporate guarantee and certain assets of a supplier and independent third parties; and (iv) personal guarantee from directors of subsidiaries).

Bank borrowings of RMB135,500,000 as at 30 June 2023 (31 December 2022: RMB223,382,000) carry interest at fixed rates, ranging from 3.6% to 5.6% (31 December 2022: 3.9% to 14.4%) per annum and RMB291,000,000 (31 December 2022: RMB183,000,000) carry interest at loan prime rate plus from 0.96% to 3.65% (31 December 2022: 0.96% to 2.80%) per annum.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

As the impact of the epidemic in the People's Republic of China (the "PRC") gradually faded, the economic situation in 2023 also showed signs of recovery. We are pleased to see that after completion of a series of upgrades and rectification for production facilities of the Manufacturing segment last year, such production facilities were successfully put back into production and generated strong sales revenue for the Group.

In addition, the Group was able to continuously seek suitable business opportunities under the continuing difficult business environment, proactively developing new businesses. As disclosed in the announcements dated 31 December 2021 and 10 January 2022, CSMall Group Limited (stock code: 1815) ("**CSMall Group**"), a subsidiary of the Group, obtained 51% effective ownership in Jiangsu Nongmuren Electronic Business Corp.\* (江蘇農牧人電子商務股份有限公司) ("**Jiangsu Nongmuren**") with effect from 10 January 2022. The business forms the Group's Fresh Food Retail segment, enriches its revenue stream, and generates more diversified revenue, which minimizes the commercial risks of the Group arising from over-concentration in the precious metals industry.

For 1H2023, the Group had four business segments, including (i) Manufacturing segment, i.e. manufacturing, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC; (ii) New Jewellery Retail segment operated under CSMall Group, i.e. designing and sales of gold, silver, colored gemstones and gem-set and other jewellery products in the PRC; (iii) Silver Exchange segment, i.e. providing professional electronic platform and related services for trading of silver ingots in the PRC; and (iv) Fresh Food Retail segment also under CSMall Group, i.e. integrated online-and-offline sales of fresh food in 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 Group recorded profit attributable to owners of the Company of approximately RMB16.2 million for 1H2023 (1H2022: loss attributable of approximately RMB29.9 million). The turnaround from loss to profit on a year-on-year basis was mainly due to the following factors:

- (i) in respect of the Group's Manufacturing segment, as the silver electrolysis production line and palladium sponge production line have successively been put into operation on a commercial scale since June and August 2022 after the segment's suspension of production for more than a year, the amount of external sales of silver ingots for 1H2023 was significantly higher than that for 1H2022. Besides, output-value-based subsidies provided by the local government led to a slight reduction in the per-unit cost of sales. These reasons resulted in a net profit for the segment for 1H2023; and
- (ii) in respect of the Group's Silver Exchange segment, although the trading volume and hence commission income for 1H2023 remained low due to commodity investors' continued lukewarm eagerness and willingness to trade silver under relatively stable international silver prices, the segment still recorded a net profit for 1H2023.

The aforesaid favourable factors were partially offset by the following unfavourable factors:

- (iii) in respect of the Group's New Jewellery Retail segment operated under CS Mall Group, the sales volume for 1H2023 remained low due to continuously weak consumer sentiment caused by slower-than-expected domestic economic recovery, while fixed costs less dependent on sales volume such as administrative expenses were still incurred, resulting in a net loss for the segment for 1H2023; and
- (iv) in respect of the Group's Fresh Food Retail segment operated under CS Mall Group, the "Nongmuren" S2B2C platform was still in a consolidation stage with a focus on optimizing its network of collaborative stores, diversifying its product offerings and adjusting its business strategies. Besides, hog prices in Mainland China have shown a downward trend since the fourth quarter of 2022 which reduced the Shopkeepers' appetite for trade and thus amount of hog purchased during 1H2023. For these reasons, the sales volume for 1H2023 was significantly lower than that for 1H2022, while the cost of sales and other related costs and expenses were also significantly reduced accordingly. Overall, given its status of development, the segment had not started to generate a net profit during 1H2023.

## Manufacturing Segment

The Group's Manufacturing segment focuses on the manufacturing of high-grade silver ingots for industrial and trading purposes and is one of the leading silver producers in the PRC. Meanwhile, the Group applied a proprietary production model to manufacture high quality silver ingots, palladium and the metal by-products derived therefrom.

The production activities 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 under the Manufacturing segment of the Group, had been suspended since 26 April 2021 due to the contravention of the production and storage facilities against certain national environmental laws. However, with the adoption of rectification measures including the demolition of non-compliant facilities and construction of compliant facilities, Jiangxi Longtianyong has practically resumed the production activities of the silver electrolysis production line on a commercial scale since mid-June 2022, and the palladium sponge production line has been officially put into operation on a commercial scale since 25 August 2022.

Further details of the suspension of production and subsequent developments are set out in the announcements published on 7 June 2021, 25 August 2021, 22 February 2022, 17 June 2022 and 26 August 2022.

For 1H2023, the Group's Manufacturing segment generated external sales of approximately RMB2,584.6 million, representing a significant increase of approximately 2,433.4% as compared to approximately RMB102.0 million for 1H2022. For 1H2023 and 1H2022, all sales were from revenue from sales of silver ingots. As the silver electrolysis production line and palladium sponge production line have successively been put into operation on a commercial scale since June and August 2022 after the segment's suspension of production for more than a year since April 2021, the amount of external sales of silver ingots for 1H2023 was significantly higher than that for 1H2022. Besides, output-value-based subsidies provided by the local government led to a slight reduction in the per-unit cost of sales. These reasons resulted in a segment profit for 1H2023 of approximately RMB36.1 million (1H2022: segment loss of approximately RMB15.8 million).

## **New Jewellery Retail Segment Operated under CSMall Group**

Since 2014, we have diversified from the traditional Manufacturing segment to the downstream New Jewellery Retail segment which is now operated under our non-wholly-owned subsidiary, CSMall Group. Apart from leveraging our strength and resources in the upstream business, CSMall Group has optimized its sales and marketing strategies since 2018 and gradually shifted its focus to high-margin silver jewellery products.

In 1H2023, although the economy and society has fully resumed normal operation with the implementation of effective macroeconomic policies and positive signs of national economic recovery, the foundation for economic recovery was still not solid, and the economy has not yet returned to the state before the epidemic. Residents' disposable income was unsatisfactory, which dampened residents' consumption mentality. In view of the context, CSMall Group has been exploring and looking for new business growth drivers for its jewellery retail business in recent years.

In the first half of the year, the brand SISI under CSMall Group started to transform from fashionable silver jewellery to the new business of lab-grown diamonds. In the first half of the year, funds and efforts were focused on brand planning, brand marketing, product design, team structure adjustment and expansion, regional agency nationwide and other preliminary works of this project, making vigorous investment and development. After intensive preparations, the project has gradually entered the market.

While placing focus on the development of the new business of lab-grown diamonds, CSMall Group will continue to be optimistic about the room for appreciation and market potential of colored gemstones. Due to the scarcity and the value preservation and value appreciation attributes of rubies, CSMall Group will carefully consider its sales strategy and gradually expand the sales market, and rubies will see a long-term and stable price increase. After the sharp rise of gold price at the end of the first quarter of the year, it then remained at a high level, which may have caused some consumers to keep a wait-and-see attitude, thereby delaying consumer demand in the first half of the year, and impacting the sales of gold jewellery.

For 1H2023, the New Jewellery Retail segment of CSMall Group recorded external sales of approximately RMB141.9 million (1H2022: RMB160.9 million), representing approximately 5.0% of the Group's total revenue (1H2022: 16.9%), and recorded a segment loss of approximately RMB7.7 million (1H2022: RMB3.1 million).

## **New Retail Business**

In 2023, the Group introduced a new business of lab-grown diamonds. With the brand concept of “planting diamonds for love”, the SISI brand advocates using the tangible essence of objects to capture beautiful moments and redefining diamonds with technology. SISI uses innovative diamond cultivation technologies to cultivate soft hair into hard diamonds, thus giving each diamond love and life and planting warm jewellery-grade DNA diamonds for love. The concept is applied in various life scenes, e.g. “Love Diamond”, “Lanugo Diamond”, “Family Diamond”, “Pet Diamond”, “Friendship Diamond”, “Self-Pleasing Diamond”, etc. to connect the emotions of new life, encounter, companionship and commemoration. While meeting the emotional needs of users, the Group also serves users with technology: the principle of “one source for one diamond” is always followed for lab-grown diamonds in all steps from receipt of hair from customers to weighing, cleaning, carbon source extraction, warehousing for cultivation, cutting and polishing, etc.

## **Online Sales Channels**

### ***Third-party online sales channels***

In 1H2023, the Group intensified its new social media-based operating model through WeChat (微信) official account, Tik Tok (抖音), Xiaohongshu (小紅書), video channel, Weibo (微博), etc., to achieve strong exposure for the SISI brand through content integration. In 1H2023, our third-party online platforms included JD.com (京東), Suning (蘇寧), Tmall (天貓), WeChat (微信), Tik Tok (抖音) and Xiaohongshu (小紅書) and 13 television and video shopping channels in the PRC to promote and sell our jewellery products. We also 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 a vast population of Chinese viewers of television and video shopping channels was enhanced substantially.

Short-video promotion and online celebrity (KOL) promotion have become standard practices in our brand marketing, and their content has also become the core element of every aspect of our brand marketing, sales and operation.

## **Offline Retail and Service Network**

### ***(1) CSmall Shops***

During the six months ended 30 June 2023, due to the development of the new business, the Group ceased to expand existing stores and adjusted the layout of offline business outlets by closing 4 stores. As of 30 June 2023, we had 16 franchised CSmall Shops located in 8 provinces and municipalities in the PRC, with presence in Beijing, Gansu, Heilongjiang, Henan, Sichuan, Tibet, Xinjiang and Zhejiang.

## **(2) Shenzhen Exhibition Hall**

We sell products at the Shenzhen Exhibition Hall in Shuibei, Shenzhen, which is generally seen as 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.

### **Silver Exchange Segment**

In 2016, the Group further expanded the downstream business by acquiring Shanghai Huatong Silver Exchange Company Limited\* (上海華通鈾銀交易市場有限公司) (“**Shanghai Huatong**”). Shanghai Huatong is the operator of an integrated silver exchange platform in the PRC which provides professional and standardized spot goods supply, trading, logistic and e-commerce services. Its official website, [www.huatongsilver.com](http://www.huatongsilver.com) (formerly [www.buyyin.com](http://www.buyyin.com)), has been one of the authoritative web portals for the silver industry in the PRC. The daily spot silver prices quoted by such website are the general reference prices for the silver industry in the PRC.

For 1H2023, the Silver Exchange segment operated by Shanghai Huatong recorded segment revenue of approximately RMB7.9 million (1H2022: RMB12.0 million), and recorded a segment profit of approximately RMB2.1 million (1H2022: RMB3.5 million).

### **Fresh Food Retail Segment Operated under CS Mall Group**

On 31 December 2021, the Group entered into an investment agreement for investment and control 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 the agricultural sector. At present, the Nongmuren platform is changing its operation model by optimizing its store distribution policy, eliminating certain stores with poor sales profitability, and improving cost efficiency by controlling costs including streamlining manpower.

For 1H2023, the Fresh Food Retail segment recorded revenue of approximately RMB78.1 million (1H2022: RMB677.3 million), accounting for approximately 2.78% of the Group's total revenue (1H2022: 71.1%). For 1H2023, the Fresh Food Retail segment recorded a segment loss of approximately RMB11.3 million (1H2022: RMB12.9 million).

## **Prospects**

Since 2023, with the timely relaxation of the COVID-19 control measures, China's economic activities have gradually recovered, and the market demand for safe haven assets including silver and gold products remains strong. The Group will continue to focus on the production and sales of silver, palladium, gold and other precious metals as its main core businesses. The Group will not only continue to consolidate its industry position in the precious metal manufacturing business, but also explore and consider suitable business opportunities inside and outside the core industry in a timely manner, e.g. the Group's investment in the Fresh Food Retail segment in December 2021, to expand the scope of business and diversify its business risks.

In addition, while pursuing business performance, the Group will emphasise the sustainability of the precious metals business and strive to maintain higher standards of business practices in respect of environmental protection, especially against the backdrop of the strict enforcement of the Central Ecological and Environmental Protection Inspection Group, which indeed has greatly raised the industry's entry barriers in terms of environmental protection.

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 2023, for the Fresh Food Retail segment, new pilot fresh food platforms of “Cow Shopkeeper (牛掌櫃)”, “Sheep Shopkeeper (羊掌櫃)” and “Noodle Shopkeeper (麵掌櫃)” will be set up to gain more market share by learning from the operating experience in the past years.

The Group will continue to look for new business growth drivers for its New Jewellery Retail segment. In particular, 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, the SISI brand has started to deepen its presence in various industries, such as the beauty industry, pet industry, maternal and child industry and e-commerce industry, and will focus on the in-depth construction of a marketing system driven by accurate consumer insights to constantly expand the market size, with the plan of building SISI into the “No. 1 brand of DNA-grown diamonds”. Meanwhile, the Group will strengthen product competitiveness and exert continuous efforts in product research and development and innovation, so as to launch more distinctive diamond products to meet the needs of different consumer groups and different application scenarios.

Besides, apart from 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. We expect consumption in the Chinese market to rise moderately this year.

Looking ahead, the global risk aversion sentiment will also be at a high level, and the market demand for hedge products (such as precious metals) will last. Therefore, the Group remains confident in the silver, precious metals and jewellery retail markets.

In view of the above, the Group will keep prudent operations, give full play to its advantages, and maintain sustainable profitability. We believe that the end of the epidemic and the recovery of economic activities will be more conducive to the sustainability of the Group’s precious metal manufacturing business, the consolidation of its market position and the enhancement of its market share in the long run, and that the market demand of the New Jewellery Retail segment and Fresh Food Retail segment of CS Mall Group will steadily resume its upward trend. We remain confident of the future development of the Group.

## Financial Review

### Revenue

The revenue of the Group for 1H2023 was approximately RMB2,812.5 million (1H2022: RMB952.3 million), representing a significant increase of approximately 195.3% from that of 1H2022.

	1H2023		1H2022	
	Revenue <i>RMB'000</i> (unaudited)	% of revenue (unaudited)	Revenue <i>RMB'000</i> (unaudited)	% of revenue (unaudited)
<b>Manufacturing segment</b>				
Sale of silver ingots	<u>2,584,609</u>	<u>91.9%</u>	<u>102,020</u>	<u>10.7%</u>
<b>Segments operated under CS Mall Group</b>				
<b>New Jewellery Retail segment</b>				
Sale of gold, silver, colored gemstones and gem-set and other jewellery products	<u>141,867</u>	<u>5.0%</u>	<u>160,949</u>	<u>16.9%</u>
<b>Fresh Food Retail segment</b>				
Sale of fresh food products	<u>78,106</u>	<u>2.8%</u>	<u>677,337</u>	<u>71.1%</u>
	<u>219,973</u>	<u>7.8%</u>	<u>838,286</u>	<u>88.0%</u>
<b>Silver Exchange segment</b>				
Commission income	<u>7,887</u>	<u>0.3%</u>	<u>12,012</u>	<u>1.3%</u>
Total	<u><u>2,812,469</u></u>	<u><u>100%</u></u>	<u><u>952,318</u></u>	<u><u>100%</u></u>

### *Manufacturing segment*

Sales of silver ingot soared from approximately RMB102.0 million for 1H2022 to approximately RMB2,584.6 million for 1H2023, representing an significant increase of approximately 2,433.4% from that of 1H2022. The increase in sales was mainly because of Jiangxi Longtianyong's resumption of production activities of its silver electrolysis production line since 17 June 2022.

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

During 1H2023, the New Jewellery Retail segment under CSMall Group recorded sales of approximately RMB141.9 million (1H2022: RMB160.9 million), representing a decrease of approximately 11.9% as compared to that for 1H2022. The revenue generated for 1H2023 remained low due to continuously weak consumer sentiment caused by slower-than-expected domestic economic recovery.

### *Fresh Food Retail segment operated under CSMall Group*

During 1H2023, the 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 services along the agricultural supply chain in the PRC, recorded sales of approximately RMB78.1 million (1H2022: RMB677.3 million). Since the platform was still in a consolidation stage with a focus on optimizing its network of collaborative stores, diversifying its product offerings and adjusting its business strategies with the number of stores reduced, and that hog prices in Mainland China showed a downward trend since the fourth quarter of 2022, which reduced the Shopkeepers' appetite for trade and thus amount of hog purchased during 1H2023, the revenue generated for 1H2023 was significantly lower than that for 1H2022.

### *Silver Exchange segment*

During 1H2023, the Silver Exchange segment recorded sales of approximately RMB7.9 million (1H2022: RMB12.0 million), representing a decrease of approximately 34.3% as compared to 1H2022. The trading volume and hence commission income for 1H2023 remained low due to commodity investors' continued lukewarm eagerness and willingness to trade silver under relatively stable international silver prices.

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

Our cost of sales and services provided is comprised of four segments, being:

- (i) cost of sales in Manufacturing segment, mainly represented by the cost of raw materials consumed, purchase cost of silver, direct labor and manufacturing overhead in the manufacturing process. Cost of raw materials consumed and purchase cost of silver accounted for over 90% of cost of sales in the Manufacturing segment. The purchase cost of raw materials is determined by the content levels of silver at market prices at the time of purchase;
- (ii) cost of sales in New Jewellery Retail segment operated under CS Mall Group, mainly represents cost of materials used for the production of gold, silver and jewellery products. Except for silver, other materials like gold, amber and diamond are sourced from independent third parties;
- (iii) cost of sales and services provided in Fresh Food Retail segment operated under CS Mall Group, mainly represents the cost of purchasing fresh food products from the upstream wholesale suppliers (for example, farms) and other direct distribution cost; and
- (iv) cost of sales and services provided in Silver Exchange segment, mainly represents cost of materials and direct expenses incurred for trading of silver and the operation of the online exchange platform.

The increased cost of sales from the Manufacturing segment has been the main reason of the significant increase in our overall cost of sales and services provided. Such increase was due to the increased sales of silver ingots following the resumption of production since 17 June 2022.

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

The Group recorded gross profit of approximately RMB66.7 million for 1H2023 (1H2022: RMB34.5 million), representing a significant increase of approximately 93.4% as compared to that for 1H2022, whereas the overall gross profit margin decreased from approximately 3.6% for 1H2022 to approximately 2.4% for 1H2023. Despite experiencing an increase in overall gross profit benefit from the increases sales volume of silver ingots in the Manufacturing segment during the period, it is noteworthy that the Manufacturing segment exhibits a comparatively lower gross profit margin. The decrease in gross profit margin can be attributed to the increased proportion of sales volume with a lower gross profit margin associated with the Manufacturing segment.

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

Selling and distribution expenses decreased by approximately 24.4% from approximately RMB21.5 million for 1H2022 to approximately RMB16.2 million for 1H2023, mainly due to the significant decrease in revenue of the Fresh Food Retail segment, which resulted in lower related selling and distribution expenses.

### ***Administrative Expenses***

Administrative expenses decreased by approximately 21.6% from approximately RMB47.8 million for 1H2022 to approximately RMB37.4 million for 1H2023. The decrease was primarily attributable to less amortization of intangible assets in the Silver Exchange segment, and the reclassification of indirect production costs to administrative expenses and the incurrence of additional administrative expenses in the Manufacturing segment during the corresponding period last year due to suspension of production.

### ***Income Tax Expense (Credit)***

Income tax expense (credit) decreased from approximately RMB0.5 million income tax credit for 1H2022 to income tax expense of approximately RMB0.1 million for 1H2023 mainly due to the over provision for income tax during the corresponding period last year and deferred tax adjustment.

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

Overall, for the reasons described above, the Group recorded profit attributable to owners of the Company of approximately RMB16.2 million for 1H2023 (1H2022: loss attributable of approximately RMB29.9 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 1H2023, inventory turnover days were approximately 73.1 days (for the year ended 31 December 2022: 121.4 days). The decrease was due to more purchase were contributed by the in Manufacturing segment which generally and comparatively has a shorter inventories turnover cycle than other segments due to the nature of the business.

The turnover days for trade receivables for 1H2023 were approximately 1.3 days (for the year ended 31 December 2022: 2.5 days). The decrease was mainly due to the increase in revenue of the Manufacturing segment which normally receive payment before selling.

The turnover days for trade payables for 1H2023 were approximately 2.6 days (for the year ended 31 December 2022: 3.8 days). The decrease was mainly due to the increase in cost of sales of the Manufacturing segment, and its suppliers generally provide shorter repayment terms.

### ***Bank Borrowings***

As of 30 June 2023, the Group's bank borrowings balance amounted to approximately RMB426.5 million (as of 31 December 2022: RMB406.4 million). The amounts are secured by: (i) certain assets of the Group; (ii) personal guarantee and properties held by Mr. Chen Wantian and Ms. Zhou Peizhen; (iii) personal guarantee, corporate guarantee and certain assets of a supplier and independent third parties; and will be due for repayment within one year. Among them, approximately RMB135.5 million (as of 31 December 2022: RMB223.4 million) was carried at fixed interest rates, and approximately RMB291.0 million (as of 31 December 2022: RMB183.0 million) was carried at floating interest rates.

The Group's net gearing ratio was calculated on the basis of total bank borrowings less bank balances and cash as a percentage of total equity. As of 30 June 2023, the Group was in a net cash position with a net gearing ratio of approximately -13.6% (as of 31 December 2022: -14.5%).

### ***Pledge of Assets***

At the end of the reporting period, assets with the following carrying amounts were pledged to secure the bills payables and bank borrowings.

	<b>30 June 2023 RMB'000 (unaudited)</b>	31 December 2022 RMB'000 (audited)
– Property, plant and equipment	<b>58,391</b>	61,205
– Leasehold lands (included in right-of-use assets)	<b>15,807</b>	16,025
– Pledged bank deposits	<b>204,900</b>	166,900
	<b><u>279,098</u></b>	<u>244,130</u>

### ***Capital Expenditures***

For 1H2023, the Group invested approximately RMB5.9 million in property, plant and equipment (1H2022: RMB4.1 million).

### ***Capital Commitments***

	<b>30 June 2023 RMB'000 (unaudited)</b>	31 December 2022 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<b><u>–</u></b>	<u>359</u>

### ***Contingent Liabilities***

As of 30 June 2023 and 31 December 2022, the Group did not have any contingent liabilities.

### ***Employees***

As of 30 June 2023, the Group employed 353 staff members (as of 31 December 2022: 366 staff members) and the total remuneration for 1H2023 amounted to approximately RMB23.0 million (1H2022: RMB20.8 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 1H2023. During 1H2023 and 1H2022, the Group was principally financed by internal resources and bank borrowings. The Group's principal financing instruments comprise bank balances and cash, pledged bank deposits, restricted bank balances, trade and other receivables, trade, bills and other payables and bank borrowings. As of 30 June 2023, the bank balances and cash, net current assets and total assets less current liabilities were approximately RMB598.2 million (as of 31 December 2022: RMB589.2 million), RMB1,066.7 million (as of 31 December 2022: RMB1,060.4 million) and RMB1,274.2 million (as of 31 December 2022: RMB1,272.9 million), respectively.

### ***Interim Dividend***

The Board has resolved not to declare an interim dividend for 1H2023 (1H2022: nil).

### ***Significant Events After the Reporting Period***

There is no material subsequent event after the reporting period.

## ***Significant Investment Held, Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures, and Plans for Significant Investment or Acquisition of Capital Assets in the Future***

The Group did not hold any significant investment nor carry out any significant acquisition and disposal of subsidiaries, associates and joint ventures, nor was there any plan for other significant investment or acquisition of capital assets in the future during 1H2023.

## **OTHERS**

### **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 “**CG Code**”) set out in Part 2 of Appendix 14 to the Listing Rules. During 1H2023, the Company had complied with the code provisions under the CG Code, except for the following deviations:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation of Mr. Sung Kin Man, former chief executive officer of the Company, on 1 January 2019, Mr. Chen Wantian has served as both the chairman and the chief executive officer of the Company. 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 during 1H2023.

### **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 1H2023.

## **Audit Committee**

The Audit Committee has reviewed the financial reporting processes, risk management and internal control systems and the unaudited condensed consolidated financial statements of the Group for 1H2023. The Audit Committee is of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

## **Acknowledgement**

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

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

This announcement is published on the websites of the Company ([www.chinasilver.hk](http://www.chinasilver.hk)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2023 interim 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  
**China Silver Group Limited**  
**Chen Wantian**  
*Chairman*

Hong Kong, 29 August 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.*

\* *For identification purpose only*