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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 2024**

HIGHLIGHTS OF 2024 INTERIM RESULTS

The Group's revenue for 1H2024 was approximately RMB2,321.2 million (1H2023: RMB2,804.6 million), representing a decrease of approximately 17.2% as compared to that for 1H2023.

The Group recorded net profit attributable to owners of the Company of approximately RMB20.6 million for 1H2024, representing an increase of approximately 27.2% as compared to the net profit attributable to owners of the Company of approximately RMB16.2 million for 1H2023, mainly due to the following factors:

- (i) in respect of the Group's Manufacturing segment, although the sales volume for 1H2024 had reduced, the net profit margin increased due to (a) increase in silver price in 1H2024 compared to 1H2023, and (b) reduction in administrative expenses and other costs and expenses as a result of improved cost control, resulting in an increase in net profit for the segment for 1H2024; and
- (ii) in respect of the Group's New Jewellery Retail segment operated under the Company's non-wholly-owned subsidiary CSmall Group Limited (stock code: 1815) ("CSmall", together with its subsidiaries, the "CSmall Group"), although the segment's overall sales volume for 1H2024 had reduced due to a significant decrease in sales of gold products, the segment had recorded a growth in sales of silver products, which had a higher gross profit margin compared to gold products, resulting in an increase in gross profit and thus a turnaround from net loss to net profit for the segment for 1H2024.

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

- (iii) in respect of the Group's discontinued operation (classified as the Group's Silver Exchange segment before 1 November 2023), a net profit was recorded for such operation in 1H2023, while no such profit was recorded in 1H2024 due to the discontinuation and disposal of such operation;
- (iv) in respect of the Group's Fresh Food Retail segment operated under CS Mall, given that the "Nongmuren" S2B2C platform had been continuously undergoing business reorganization and adjusting its business strategies, the sales volume for 1H2024 had reduced compared to that for 1H2023; in addition, the segment has recognized an impairment loss on goodwill of approximately RMB8.5 million due to a re-estimation of the segment's expected future cash flows, resulting in an increase in net loss for the segment for 1H2024; and
- (v) a net provision for impairment loss under expected credit loss model of approximately RMB6.1 million has been recognized for 1H2024 in respect of the Group's trade and other receivables, as compared to approximately RMB1.4 million for 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 2024 ("**1H2024**", "**first half of the year**", "**the period**", "**current period**", "**current interim period**" or "**reporting period**") together with the comparative figures for the corresponding period in 2023 ("**1H2023**"). 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 2024

		Six months ended 30 June	
	<i>NOTES</i>	2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited) (Restated)
Continuing operations			
Revenue	4	2,321,245	2,804,582
Cost of sales and services provided		<u>(2,251,116)</u>	<u>(2,749,300)</u>
Gross profit		70,129	55,282
Other income, net		3,184	5,023
Other gains and losses, net		(1,337)	(2,564)
Selling and distribution expenses		(12,686)	(16,300)
Administrative expenses		(20,464)	(26,184)
Research and development expenses		(403)	(524)
Impairment loss on goodwill	10	(8,504)	–
Provision for impairment loss under expected credit loss model, net	12	(6,063)	(1,418)
Finance costs		<u>(11,679)</u>	<u>(13,483)</u>
Profit (loss) before income tax		12,177	(168)
Income tax expense	5	<u>(1,875)</u>	<u>(7)</u>
Profit (loss) for the period from continuing operations	6	10,302	(175)
Discontinued operation			
Profit for the period from discontinued operation	7	<u>–</u>	<u>1,961</u>
Profit for the period		10,302	1,786
Other comprehensive expenses, net of income tax			
<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>–</u>	<u>(17)</u>
Total comprehensive income for the period		<u>10,302</u>	<u>1,769</u>

		Six months ended 30 June	
		2024	2023
	<i>NOTE</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
			(Restated)
Profit (loss) for the period attributable to:			
Owners of the Company		20,556	16,164
Non-controlling interests		<u>(10,254)</u>	<u>(14,378)</u>
		<u>10,302</u>	<u>1,786</u>
Profit for the period attributable to Owners of the Company arises from:			
Continuing operations		20,556	14,203
Discontinued operation		<u>–</u>	<u>1,961</u>
		<u>20,556</u>	<u>16,164</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		20,556	16,147
Non-controlling interests		<u>(10,254)</u>	<u>(14,378)</u>
		<u>10,302</u>	<u>1,769</u>
Total comprehensive income for the period attributable to Owners of the Company arises from:			
Continuing operations		20,556	14,203
Discontinued operation		<u>–</u>	<u>1,944</u>
		<u>20,556</u>	<u>16,147</u>
Earnings per share	9	RMB	RMB
For continuing and discontinued operations			
Basic		<u>0.01</u>	<u>0.01</u>
Diluted		<u>0.01</u>	<u>0.01</u>
For continuing operations			
Basic		<u>0.01</u>	<u>0.01</u>
Diluted		<u>0.01</u>	<u>0.01</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

		30 June 2024	31 December 2023
	<i>NOTES</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		105,536	113,033
Goodwill	<i>10</i>	3,972	12,476
Right-of-use assets		17,762	20,300
Intangible assets		8,341	8,910
Investment in associates		12	12
Deferred tax assets		5,293	4,709
		140,916	159,440
CURRENT ASSETS			
Inventories		1,113,589	1,087,498
Trade and other receivables	<i>11</i>	149,133	142,793
Income tax recoverable		736	736
Pledged bank deposits		39,900	107,900
Bank balances and cash		545,312	524,682
		1,848,670	1,863,609
CURRENT LIABILITIES			
Trade, bills and other payables	<i>13</i>	290,544	318,019
Amount due to a non-controlling interest		22,978	22,513
Lease liabilities – current portion		2,363	3,989
Contract liabilities		1,948	3,584
Deferred income		714	714
Income tax payable		11,364	9,290
Bank borrowings	<i>14</i>	407,200	421,200
		737,111	779,309
NET CURRENT ASSETS		1,111,559	1,084,300
TOTAL ASSETS LESS CURRENT LIABILITIES		1,252,475	1,243,740

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
CAPITAL AND RESERVES		
Share capital	15,935	15,935
Share premium and reserves	456,092	435,536
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		
	472,027	451,471
Non-controlling interests	776,375	786,629
TOTAL EQUITY	1,248,402	1,238,100
NON-CURRENT LIABILITIES		
Deferred tax liabilities	1,258	1,355
Lease liabilities – non-current portion	1,089	2,202
Deferred income	1,726	2,083
	4,073	5,640
TOTAL EQUITY AND NON-CURRENT LIABILITIES	1,252,475	1,243,740

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2. MATERIAL ACCOUNTING POLICIES

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

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 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1	Classification of Liabilities as Current and Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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**”); and
- (iii) 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 operation of silver exchange segment of the Group was discontinued and disposed during the year ended 31 December 2023. The segment information reported on the next pages does not include any amounts for this discontinued operation, which are described in more detail in Note 7.

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 from continuing operations:

For the six months ended 30 June 2024

	Manufacturing segment <i>RMB'000</i> (unaudited)	New Jewellery Retail segment <i>RMB'000</i> (unaudited)	Fresh Food Retail segment <i>RMB'000</i> (unaudited)	Segment total <i>RMB'000</i> (unaudited)	Elimination <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Continuing operations						
Revenue						
External sales	2,220,488	98,509	2,248	2,321,245	-	2,321,245
Inter-segment sales*	3,847	-	-	3,847	(3,847)	-
Total segment revenue	<u>2,224,335</u>	<u>98,509</u>	<u>2,248</u>	<u>2,325,092</u>	<u>(3,847)</u>	<u>2,321,245</u>
Results						
Segment results	<u>38,980</u>	<u>5,049</u>	<u>(15,380)</u>	<u>28,649</u>		28,649
Non-segment items						
Unallocated income, expenses, gains and losses						(4,793)
Finance costs						<u>(11,679)</u>
Profit before income tax from continuing operations						<u>12,177</u>

For the six months ended 30 June 2023 (Restated)

	Manufacturing segment <i>RMB'000</i> (unaudited)	New Jewellery Retail segment <i>RMB'000</i> (unaudited)	Fresh Food Retail segment <i>RMB'000</i> (unaudited)	Segment total <i>RMB'000</i> (unaudited)	Elimination <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Continuing operations						
Revenue						
External sales	2,584,609	141,867	78,106	2,804,582	–	2,804,582
Inter-segment sales*	<u>36,392</u>	<u>–</u>	<u>–</u>	<u>36,392</u>	<u>(36,392)</u>	<u>–</u>
Total segment revenue	<u><u>2,621,001</u></u>	<u><u>141,867</u></u>	<u><u>78,106</u></u>	<u><u>2,840,974</u></u>	<u><u>(36,392)</u></u>	<u><u>2,804,582</u></u>
Results						
Segment results	<u><u>36,050</u></u>	<u><u>(4,466)</u></u>	<u><u>(10,929)</u></u>	<u><u>20,655</u></u>		20,655
Non-segment items						
Unallocated income, expenses, gains and losses						(7,340)
Finance costs						<u>(13,483)</u>
Loss before income tax from continuing operations						<u><u>(168)</u></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 2024 and 2023 are generated in the PRC.

4. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Segments		(Restated)
Continuing operations		
By types of goods and services		
Manufacturing segment		
– Sales of silver ingots	<u>2,220,488</u>	<u>2,584,609</u>
New Jewellery Retail segment		
– Sales of silver products	83,633	44,322
– Sales of gold products	12,548	96,029
– Sales of colored gemstones	1,801	1,369
– Sales of gem-set and other jewellery products	<u>527</u>	<u>147</u>
	<u>98,509</u>	<u>141,867</u>
Fresh Food Retail segment		
– Sales of fresh food products	<u>2,248</u>	<u>78,106</u>
Total	<u><u>2,321,245</u></u>	<u><u>2,804,582</u></u>

All of the revenue are recognised at a point in time during the six months ended 30 June 2024 and 2023.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
		(Restated)
Continuing operations		
PRC Enterprise Income Tax (“EIT”)		
– current period	2,557	–
Deferred tax	(682)	7
	<u>1,875</u>	<u>7</u>

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% from 1 January 2008 onward.

6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
		(Restated)
Continuing operations		
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)	2,251,116	2,749,300
Depreciation of property, plant and equipment	7,497	8,142
Depreciation of right-of-use assets	2,538	2,651
Amortisation of intangible assets	569	569
Impairment loss on goodwill (<i>note 10</i>)	8,504	–
Bank interest income	(1,616)	(2,005)
Net exchange loss	1,438	2,562
Expenses on short-term leases in respect of office premises and retail shops	83	62

7. DISCONTINUED OPERATION

On 28 September 2023, the Group entered into a share purchase agreement with an independent third party in relation to the disposal of entire equity interest of a wholly-owned subsidiary, Ultimate Deal Group Limited (“**Ultimate Deal**”), together with its subsidiaries (collectively referred to as the “**Shanghai Huatong Group**”) which carried out all of the Group’s Silver Exchange business, for a consideration of RMB8,000,000. The disposal was completed on 1 November 2023, on which date control of Ultimate Deal was passed to the acquirer. Following the disposal of Ultimate Deal, the Group discontinued its operation in Silver Exchange business.

The profit for the period in relation to Silver Exchange segment for the six months ended 30 June 2023, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the six months ended 30 June 2023 <i>RMB'000</i> (unaudited)
Revenue	7,887
Cost of services provided	<u>(1,719)</u>
Gross profit	6,168
Other income, net	1,969
Other gains and losses, net	(38)
Selling and distribution expenses	(12)
Administrative expenses	<u>(5,996)</u>
Profit before income tax	2,091
Income tax expenses	<u>(130)</u>
Profit for the period from discontinued operation	<u><u>1,961</u></u>
Profit for the period from discontinued operation include the following:	
Other staff costs:	
Salaries and other allowances	1,771
Retirement benefit scheme contributions	<u>744</u>
Total staff costs	<u>2,515</u>
Cost of services recognised as expenses (including in cost of services provided)	1,719
Amortisation of intangible assets	1,680
Depreciation of property, plant and equipment	566
Depreciation of right-of-use assets	2
Loss on disposal of property, plant and equipment	<u>38</u>

An analysis of the cash flows of the discontinued operation is as follows:

	For the six months ended 30 June 2023 <i>RMB'000</i> (unaudited)
Cash flow from discontinued operation:	
Net cash outflow from operating activities	(679)
Net cash inflow from investing activities	214
Net cash outflow from financing activities	<u>–</u>
Net decrease in cash and cash equivalents in the discontinued operation	<u><u>(465)</u></u>

8. 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 2023: nil). The directors of the Company have determined that no dividend will be paid in respect of both interim periods.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
		(Restated)
Earnings		
Profit for the period attributable to owners of the Company from continuing operations for the purpose of basic and diluted earnings per share <i>(RMB'000)</i>	20,556	14,203
Profit for the period attributable to owners of the Company from discontinued operation for the purpose of basic and diluted earnings per share <i>(RMB'000)</i>	N/A	1,961
	<u>20,556</u>	<u>16,164</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share <i>(in thousand)</i>	<u>1,954,081</u>	<u>1,954,081</u>

For the six months ended 30 June 2024 and 2023, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding options because the effect of exercise of these options was anti-dilutive.

10. GOODWILL

RMB'000

Cost

As at 1 January 2023, 31 December 2023 and 30 June 2024 12,476

Impairment

As at 1 January 2023 and 31 December 2023 –

Impairment loss recognised for the six months ended 30 June 2024 8,504

As at 30 June 2024 8,504

Carrying values

As at 30 June 2024 3,972

As at 31 December 2023 12,476

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.

For the six months ended 30 June 2024, management considered the Fresh Food Retail segment to continuously undergo business reorganisation and business strategies adjustments, which resulted in the reduction in sales volume for the six months ended 30 June 2024. The management decided to re-estimate the segment’s expected future cash flows for the six months ended 30 June 2024, and recognised an impairment loss on goodwill of approximately RMB8,504,000 as at 30 June 2024.

The calculation uses pre-tax cash flow projections based on financial budgets approved by management using an average annual growth rate in the 7.5 years period from the balance sheet date of 59.7% (31 December 2023: an average annual growth rate in 8 years period of 70.1%). Management believes that it is appropriate for the cash flow projections to cover a 7.5 years (31 December 2023: 8 years) period because it captures the early development stage of the Fresh Food Retail segment during which the Group expects to experience a high growth rate of revenue.

Cash flows beyond the 7.5 years period are expected to be similar to that of the 7.5 year, taking into account of the estimated terminal growth rate of 2.0% (31 December 2023: 2.0%). 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. The pre-tax discount rate used is 18.8% (31 December 2023: 18.8%). 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.

11. TRADE AND OTHER RECEIVABLES

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Trade receivables for contracts with customers	83,108	79,354
<i>Less:</i> allowance for expected credit losses in respect of trade receivables	(25,694)	(22,293)
	57,414	57,061
Other receivables, deposits and prepayments	75,828	70,669
<i>Less:</i> allowance for expected credit losses in respect of other receivables	(8,521)	(5,859)
Prepayments to suppliers (<i>note</i>)	3,073	4,644
Value-added tax (“VAT”) recoverable	20,417	15,359
Refundable rental deposit	922	919
	149,133	142,793

Notes: 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 ranging from 1 to 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:

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
0-30 days	50,242	51,317
31-60 days	585	633
61-90 days	15	188
Over 90 days	6,572	4,923
	<u>57,414</u>	<u>57,061</u>

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 and other receivables for the six months ended 30 June 2024 and 2023 are set out in Note 12.

12. PROVISION FOR IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Provision for impairment loss recognised in respect of,		
– trade receivables, net	3,401	1,418
– other receivables, net	2,662	–
	<u>6,063</u>	<u>1,418</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 and other receivables in these condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2023.

13. TRADE, BILLS AND OTHER PAYABLES

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade payables	30,500	42,031
Other payables and accrued expenses (<i>Note i</i>)	152,506	105,771
Bills payables (<i>Note ii</i>)	79,800	147,800
VAT and other tax payables	20,325	15,004
Provision for termination of assignment contracts (<i>Note iii</i>)	7,413	7,413
	290,544	318,019

Notes:

- (i) Included in the other payables are payables for interest payables amounting to RMB2,101,000 (31 December 2023: RMB147,000).
- (ii) As at 30 June 2024, bills payables amounting to RMB79,800,000 (31 December 2023: RMB147,800,000) are secured by pledged bank deposits of RMB39,900,000 (31 December 2023: RMB107,900,000). All bills payables are issued to suppliers of the Manufacturing segment.
- (iii) 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 2024, 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 2023: 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:

	30 June 2024 RMB’000 (unaudited)	31 December 2023 RMB’000 (audited)
0-30 days	629	17,659
31-60 days	31	60
61-90 days	206	292
Over 90 days	29,634	24,020
	30,500	42,031

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

14. BANK BORROWINGS

The total banking facility granted to the Group amounted to RMB408,700,000 (31 December 2023: RMB445,000,000) of which RMB407,200,000 (31 December 2023: RMB421,200,000) were utilised as at 30 June 2024.

As at 30 June 2024, bank borrowings are secured and/or guaranteed by (i) leasehold land and building with aggregate carrying amount of RMB15,373,000 and RMB52,762,000 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 2023: (i) leasehold land and building with aggregate carrying amount of RMB15,590,000 and RMB57,766,000 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 RMB171,000,000 as at 30 June 2024 (31 December 2023: RMB189,500,000) carry interest at fixed rates, ranging from 3.45% to 5.61% (31 December 2023: 4.25% to 5.61%) per annum and RMB236,200,000 (31 December 2023: RMB231,700,000) carry interest at loan prime rate plus 0.00% to 2.80% (31 December 2023: 0.91% to 2.80%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, with the adverse impacts of domestic structural adjustments surfacing, the PRC's economy remained in a critical period of recovery, undergoing transformation and upgrades. The external environment was increasingly intricate, harsh and unpredictable, and the factors influencing economic growth becoming more intricate than previously observed. While there was a noticeable recovery trend in the PRC's overall consumption, residents' individual consumption remained subdued. In view of the PRC's macroeconomic development being under pressure in the past six months and the current situation of weak consumption, in addition to strengthening its core businesses, the Group has been exploring and considering suitable business opportunities within and outside the jewellery industry from time to time to diversify business risks.

During the period, the Group had three 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 CS Mall Group, i.e. designing and sales of gold, silver, colored gemstones and gem-set and other jewellery products in the PRC; and (iii) Fresh Food Retail segment also operated under CS Mall 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.

In 1H2024, the “Nongmuren” S2B2C platform of the Fresh Food Retail segment continued to make further strategic adjustments, and suspended the rapid expansion model and the original business expansion of the Meat Shopkeeper. In 2024, the focus of the Group was expected to be placed on exploring more competitive product categories and establishing and solidifying Lamb Shopkeeper (羊掌櫃), Noodle Shopkeeper (麵掌櫃) and other new shopkeepers of different forms. The Fresh Food Retail segment is still further adjusting its marketing strategy and will invest funds towards building supply chain capacity and development of new business lines.

As disclosed in the announcements dated 28 September 2023 and 1 November 2023, after considering the various adverse macro factors related to the operation of the silver exchange platform, the Group entered into a share purchase agreement to dispose of the Silver Exchange segment on 28 September 2023 and the disposal was completed on 1 November 2023.

The Group recorded net profit attributable to owners of the Company of approximately RMB20.6 million for 1H2024, representing an increase of approximately 27.2% as compared to the net profit attributable to owners of the Company of approximately RMB16.2 million for 1H2023, mainly due to the following factors:

- (i) in respect of the Group's Manufacturing segment, although the sales volume for 1H2024 had reduced, the net profit margin increased due to (a) increase in silver price in 1H2024 compared to 1H2023, and (b) reduction in administrative expenses and other costs and expenses as a result of improved cost control, resulting in an increase in net profit for the segment for 1H2024; and
- (ii) in respect of the Group's New Jewellery Retail segment operated under the Company's non-wholly-owned subsidiary CS Mall, although the segment's overall sales volume for 1H2024 had reduced due to a significant decrease in sales of gold products, the segment had recorded a growth in sales of silver products, which had a higher gross profit margin compared to gold products, resulting in an increase in gross profit and thus a turnaround from net loss to net profit for the segment for 1H2024,

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

- (iii) in respect of the Group's discontinued operation (classified as the Group's Silver Exchange segment before 1 November 2023), a net profit was recorded for such operation in 1H2023, while no such profit was recorded in 1H2024 due to the discontinuation and disposal of such operation;

- (iv) in respect of the Group's Fresh Food Retail segment operated under CS Mall, given that the "Nongmuren" S2B2C platform had been continuously undergoing business reorganization and adjusting its business strategies, the sales volume for 1H2024 had reduced compared to that for 1H2023; in addition, the segment has recognized an impairment loss on goodwill of approximately RMB8.5 million due to a re-estimation of the segment's expected future cash flows, resulting in an increase in net loss for the segment for 1H2024; and
- (v) a net provision for impairment loss under expected credit loss model of approximately RMB6.1 million has been recognized for 1H2024 in respect of the Group's trade and other receivables, as compared to approximately RMB1.4 million for 1H2023. The significant increase was mainly due to the longer aging of trade and other receivables. In view of the general economic condition and an assessment of both the current condition and future forecast, a more conservative provision for impairment was provided based on the expected credit loss model during the period.

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.

For 1H2024, the Group's Manufacturing segment generated external sales of approximately RMB2,220.5 million, representing a decrease of approximately 14.1% as compared to approximately RMB2,584.6 million for 1H2023. For 1H2024 and 1H2023, all revenue was contributed by sales of silver ingots. Despite the decline in revenue, the profit of the Manufacturing segment increased by approximately 8.1% from approximately RMB36.1 million for 1H2023 to approximately RMB39.0 million for 1H2024. The increase in segment profit was due to higher silver prices for 1H2024 as compared to 1H2023, and the rising silver prices contributed to a higher gross profit margin for the Manufacturing segment. In addition, improved cost control resulted in a decrease in administrative and other expenses.

New Jewellery Retail Segment Operated under CS Mall Group (Stock Code: 1815)

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 CS Mall. Apart from leveraging our strength and resources in the upstream business, CS Mall Group has optimized its sales and marketing strategies since 2018 and gradually shifted its focus to high-margin silver jewellery products.

For 1H2024, the New Jewellery Retail segment of CS Mall Group recorded external sales of approximately RMB98.5 million, representing a decrease of approximately 30.6% as compared to approximately RMB141.9 million for 1H2023. External sales revenue accounted for approximately 4.2% (1H2023: 5.1%) of the Group's total revenue. Despite the decline in sales revenue, the results of the New Jewellery Retail segment saw a turnaround from a segment loss of approximately RMB4.5 million for 1H2023 to a segment profit of approximately RMB5.0 million for 1H2024. Such turnaround from loss to profit was mainly because the Group recorded a growth in sales of silver products with higher gross profit margin during the current period, as contrasted with the sharp decline in sales of gold jewellery with lower gross profit margin.

New Retail Business

The sales strategy of the New Jewellery Retail segment is primarily focused on gold and silver, supplemented by gemstones and jewellery. During 1H2024, gold and silver sales accounted for approximately 97.6% of the segment's total sales. Building upon the foundation of our gold and silver business, we also developed a new business, i.e. the lab-grown diamond brand, SISI. Last year, SISI focused its resources and efforts on the brand planning, brand marketing, product design, team structure adjustment and expansion, and regional agency nationwide of this project, and vigorously invested in development. After intensive preparations, the products of the brand SISI gradually entered the market.

As central banks in many countries increased their gold reserves and international geopolitical tensions continued, gold and silver prices soared in the first half of the year. We will pay continuous attention to the trend of gold and silver prices, monitor their impact on the retail business, and seize the growth opportunity to intensify the development of the core businesses of gold and silver.

Compared with overseas markets, the development of lab-grown diamond industry in the PRC is relatively late. At the current stage, the penetration rate of lab-grown diamond jewellery consumption in the PRC is low, and there is still a relatively large room for improvement. The present lab-grown diamond market is in the stage of cultivating consumers' awareness of lab-grown diamond. After one or two years of market cultivation, the popularity of domestic lab-grown diamond consumption concept may usher in a big outbreak and reach a higher degree of awareness, and the lab-grown diamond industry market will expand. The Group's SISI brand differentiates itself from the monotonous marketing and sales methods of other lab-grown diamonds brands currently on the market. SISI adheres to "one source for one diamond" and focuses on "growing warm jewellery-grade DNA diamonds for love" with the brand concept of "growing diamonds for love". The concept is applied in various life scenes, e.g. "Love Diamond", "Lanugo Diamond", "Family Diamond", "Pet Diamond", "Friendship Diamond", and "Self-Pleasing Diamond", to connect the emotions of new life, encounter, companionship and commemoration.

Apart from lab-grown diamonds, the Group also continues to be optimistic about the room for appreciation and market potential of colored gemstones. Given their scarcity and investment value, colored gemstones such as rubies are poised to experience a consistent and stable price increase in the long run. In response, the Group will prudently evaluate its sales strategy and progressively broaden its sales channels.

Due to the Group's new business initiatives, store expansion was halted in the first half of the year. Online sales still account for more than 50% of the total sales of the New Jewellery Retail segment. In recent years, the Group enhanced 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. Besides developing the existing e-commerce and live streaming sales of product categories, the Group also actively expanded the new business of SISI. The Group launched its new social media-based operating model through WeChat (微信) official account, TikTok (抖音), Xiaohongshu (小紅書), video channel, Weibo (微博), etc., to achieve strong exposure for the SISI brand through content integration.

Online Sales Channels

In 1H2024, 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 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 2024, due to the development of the new business, the Group ceased to expand existing stores and adjusted the layout of offline business outlets. As of 30 June 2024, we had 10 franchised CSmall Shops located in 6 provinces and municipalities in the PRC, with presence in Beijing, Heilongjiang, Henan, 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 serves as an interactive exhibition and sales platform primarily for our wholesale customers as well as franchisees.

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 S2B2C 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 still further adjusting its marketing strategy and will invest funds towards building supply chain capacity and development of new business lines, and therefore only a small amount of sales was recorded for 1H2024.

For 1H2024, the Fresh Food Retail segment recorded revenue of approximately RMB2.2 million (1H2023: RMB78.1 million), and recorded a segment loss of approximately RMB15.4 million (1H2023: RMB10.9 million). The loss was mainly contributed by the recognition of impairment loss on goodwill of approximately RMB8.5 million due to the re-estimation of the segment’s expected future cash flows.

Silver Exchange Segment (shown as discontinued operation)

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**”, the operator of an integrated silver exchange platform in the PRC). 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 (formerly 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.

As disclosed in the announcements dated 28 September 2023 and 1 November 2023, after considering the various adverse macro factors related to the operation of the silver exchange platform, the Group entered into a share purchase agreement to dispose of the Silver Exchange segment on 28 September 2023 and the disposal was completed on 1 November 2023.

Prospects

In 2024, despite the complex and volatile external environment, weakening global economic growth, geopolitical conflicts, international trade frictions and other issues, the prices of precious metals increased due to the nature of safe haven assets. As a result, the Group also benefited from increased prices of precious metals, which led to higher gross profit margin of gold and silver products. The Group will continue to focus on the production and sales of silver, gold and other precious metals as its main core businesses. While pursuing business performance, the Group will emphasize the sustainability of its precious metals business and strive to maintain higher standards of business practices in respect of environmental protection.

In addition to further consolidating the industry position in the precious metal manufacturing business, the Group will also explore and consider suitable business opportunities both within and outside the core industry in a timely manner. As disclosed in the announcement dated 15 August 2024, CSMall Group obtained 51% effective ownership in Jiangxi Letong New Materials Company Limited* (江西樂通新材料有限公司) (“**Jiangxi Letong**”) which, through its wholly owned subsidiary Tibet Longtianyong Mining Company Limited* (西藏龍天勇礦業有限公司) (“**Tibet Longtianyong**”), indirectly holds an exploration license with exploration rights to mineral resources in Lhoka, Tibet. The Group is of the view that the acquisition of Jiangxi Letong and the exploration license with exploration rights to mineral resources will not only bring synergy to the Group and the CSMall Group’s existing business, but also help to diversify their business risks.

The sales strategy of the New Jewellery Retail segment under CSMall Group is primarily focused on gold and silver, supplemented by gemstones and jewellery. In addition, the Group will continue to look for new business growth drivers. The Group has also developed a new business, i.e. the lab-grown diamond brand SISI, the products of which are expected to gradually enter the market.

Looking ahead, the global risk aversion is expected to remain high and the market demand for precious metals will last. Therefore, the Group maintains its confidence in the prospects of silver, precious metals and colored diamonds. The Group will maintain steady operation to proceed with its core businesses, and leverage its strengths to maintain sustained profitability and continue to seek opportunities. We are optimistic and confident about the Group's future operations.

FINANCIAL REVIEW

Revenue

The revenue of the Group for 1H2024 was approximately RMB2,321.2 million (1H2023: RMB2,804.6 million), representing a decrease of approximately 17.2% from that of 1H2023.

	1H2024		1H2023	
	Revenue	% of	Revenue	% of
	<i>RMB'000</i>	revenue	<i>RMB'000</i>	revenue
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
			(restated)	(restated)
Continuing operations				
Manufacturing segment				
Sale of silver ingots	<u>2,220,488</u>	<u>95.7%</u>	<u>2,584,609</u>	<u>92.2%</u>
Segments operated under CS Mall Group				
New Jewellery Retail segment				
Sale of gold, silver, colored gemstones and gem-set and other jewellery products	<u>98,509</u>	<u>4.2%</u>	<u>141,867</u>	<u>5.0%</u>
Fresh Food Retail segment				
Sale of fresh food products	<u>2,248</u>	<u>0.1%</u>	<u>78,106</u>	<u>2.8%</u>
	<u>100,757</u>	<u>4.3%</u>	<u>219,973</u>	<u>7.8%</u>
Total	<u><u>2,321,245</u></u>	<u><u>100.0%</u></u>	<u><u>2,804,582</u></u>	<u><u>100.0%</u></u>

Manufacturing segment

External sales of silver ingot reduced from approximately RMB2,584.6 million for 1H2023 to approximately RMB2,220.5 million for 1H2024, representing a decrease of approximately 14.1% from that of 1H2023.

New Jewellery Retail segment operated under CS Mall Group

During 1H2024, the New Jewellery Retail segment under CS Mall Group recorded sales of approximately RMB98.5 million (1H2023: RMB141.9 million), representing a significant decrease of approximately 30.6% as compared to that for 1H2023. The significant decrease in sales for 1H2024 was due to the significant reduction of sales of golds products, which offset the increase in sales of silver products.

Fresh Food Retail segment operated under CS Mall Group

During 1H2024, 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 RMB2.2 million (1H2023: RMB78.1 million). Since the platform has been undergoing further business reorganization with a focus on optimizing its network of collaborative stores, the Fresh Food Retail segment has recorded a significant drop of approximately 97.1% in sales compared with 1H2023.

Cost of Sales and Services Provided

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

- (i) cost of sales in Manufacturing segment, mainly represented by the cost of raw materials consumed, purchase cost of silver, direct labor costs 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; and
- (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.

During 1H2024, the Group recorded cost of sales and services provided of approximately RMB2,251.1 million (1H2023: RMB2,749.3 million), representing a decrease of approximately 18.1% as compared to that for 1H2023. The primary reason for the decline in the Group's overall cost of sales and services provided was the reduced costs of sales in the Manufacturing segment and New Jewellery Retail segment. Both segments saw a substantial decrease in revenue, leading to a corresponding decrease in the costs of sales and services provided.

Gross Profit and Gross Profit Margin

The Group recorded gross profit of approximately RMB70.1 million for 1H2024 (1H2023: RMB55.3 million), representing an increase of approximately 26.9% as compared to that for 1H2023, whereas the overall gross profit margin increased from approximately 1.97% for 1H2023 to approximately 3.02% for 1H2024. The increase in the overall gross profit margin was mainly due to the increase in sales of silver products from the New Jewellery Retail segment. Despite a significant decline in sales of gold products for 1H2024, the growth in sales of silver products, which had a higher gross profit margin compared to gold products, has contributed to the increase in overall gross profit margin for the segment for 1H2024.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 22.2% from approximately RMB16.3 million for 1H2023 to approximately RMB12.7 million for 1H2024, mainly due to the significant decrease in sales from the Fresh Food Retail segment, which resulted in lower related selling and distribution expenses.

Administrative Expenses

Administrative expenses decreased by approximately 21.8% from approximately RMB26.2 million for 1H2023 to approximately RMB20.5 million for 1H2024. The decrease was primarily attributable to ongoing impact of cost control measures in the Fresh Food Retail segment following the abovementioned adjustment in the business strategies.

Income Tax Expense

Income tax expense increase from approximately RMB7,000 for 1H2023 to approximately RMB1.9 million for 1H2024 mainly due to the increase in the provision for PRC Enterprise Income Tax during the year and deferred tax adjustment.

Profit Attributable to Owners of the Company

Overall, for the reasons described above, the Group recorded profit attributable to owners of the Company of approximately RMB20.6 million for 1H2024 (1H2023: RMB16.2 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 1H2024, inventory turnover days were approximately 90 days (for the year ended 31 December 2023: 72 days). The increase in inventory turnover days was primarily due to the reduced sales in the New Jewellery Retail segment, which led to slower-moving inventory.

The turnover days for trade receivables for 1H2024 were approximately 5 days (for the year ended 31 December 2023: 3 days). The increase in turnover days for trade receivables was primarily attributed to the decrease in sales of the Fresh Food Retail segment which provides shorter credit term to its customers in general.

The turnover days for trade payables for 1H2024 were approximately 3 days (for the year ended 31 December 2023: 3 days), the turnover days remain stable for both periods.

Bank Borrowings

As of 30 June 2024, the Group's bank borrowings balance amounted to approximately RMB407.2 million (as of 31 December 2023 RMB421.2 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 RMB171.0 million (as of 31 December 2023: RMB189.5 million) was carried at fixed interest rates, and approximately RMB236.2 million (as of 31 December 2023: RMB231.7 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 2024, the Group was in a net cash position with a net gearing ratio of approximately -11.1% (as of 31 December 2023: -8.4%).

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.

	30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
– Property, plant and equipment	52,762	57,766
– Leasehold lands (included in right-of-use assets)	15,373	15,590
– Pledged bank deposits	39,900	107,900
	<u>108,035</u>	<u>181,256</u>

Capital Expenditures

For 1H2024, the Group did not have any capital expenditures (1H2023: RMB5.9 million invested in property, plant and equipment).

Capital Commitments

As of 30 June 2024 and 31 December 2023, the Group did not have any capital commitments.

Contingent Liabilities

As of 30 June 2024 and 31 December 2023, the Group did not have any contingent liabilities.

Employees

As of 30 June 2024, the Group employed 190 staff members (as of 31 December 2023: 274 staff members) and the total remuneration for 1H2024 amounted to approximately RMB16.3 million (1H2023: RMB20.5 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 1H2024. During 1H2024 and 1H2023, the Group was principally financed by internal resources and bank borrowings. During 1H2024, the Group's principal financing instruments comprised 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 2024, the bank balances and cash, net current assets, and total assets less current liabilities were approximately RMB545.3 million (as of 31 December 2023: RMB524.7 million), RMB1,111.6 million (as of 31 December 2023: RMB1,084.3 million) and RMB1,252.5 million (as of 31 December 2023: RMB1,243.7 million), respectively.

Interim Dividend

The Board has resolved not to declare an interim dividend for 1H2024 (1H2023: nil).

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 during 1H2024, nor was there any plan for other significant investment or acquisition of capital assets in the future.

Significant Event After the Reporting Period

On 15 August 2024, Jiangxi Jiyin Company Limited* (江西吉銀實業有限公司)(the “**Purchaser**”), an indirect wholly-owned subsidiary of the CS Mall Group, entered into an equity transfer agreement with Jiangxi Huiying Trading Company Limited* (江西輝穎貿易有限公司)(the “**Vendor**”), an independent third party of the Group, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 51% equity interest in Jiangxi Letong for a total consideration of RMB2,550,000.

Jiangxi Letong is a company incorporated in the PRC with limited liability. Jiangxi Letong held 100% equity interest in Tibet Longtianyong, a company incorporated in the PRC with limited liability. Tibet Longtianyong is principally engaged in the exploration of lead and zinc mines. The transaction was completed on 21 August 2024.

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 Appendix C1 to the Listing Rules. During 1H2024, 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 C3 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 1H2024.

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 1H2024.

Audit Committee

The Audit Committee has reviewed the financial reporting processes and risk management and internal control systems and the unaudited condensed consolidated financial statements of the Group for 1H2024. The Audit Committee is of the opinion that these unaudited condensed consolidated financial 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) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2024 interim report of the Company will be dispatched to the shareholders of the Company who requested printed copies and made available on the same websites in due course.

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

Hong Kong, 30 August 2024

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*