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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS OF 2022 ANNUAL RESULTS

Revenue for 2022 was approximately RMB3,246.3 million (2021: RMB2,303.5 million), representing an increase of approximately 40.9% as compared to that for 2021.

Loss attributable to owners of the Company for 2022 was approximately RMB120.8 million (2021: RMB2,412.9 million). Such significant year-on-year decrease was mainly attributable to the one-time write-off of inventories of approximately RMB2,408.5 million recorded in 2021 as a result of certain inventory of raw materials of Jiangxi Longtianyong, a major subsidiary of the Group's Manufacturing segment, being deemed to be hazardous waste and ordered to be disposed of, and the absence of such inventory write-off in 2022.

Excluding the impact of the one-time write-off of inventories, the Group would have recorded a loss attributable to owners of the Company of approximately RMB4.4 million for 2021. On this basis, the aforesaid loss attributable to owners of the Company of approximately RMB120.8 million for 2022 would represent a year-on-year increase in loss, which is mainly attributable to the following factors:

(i) in respect of the Group's Manufacturing segment, although Jiangxi Longtianyong's Silver Electrolysis Production Line and Palladium Sponge Production Line had successively been put into operation on a commercial scale since June 2022 and August 2022, the segment's gross profit margin for 2022 was lower than that for 2021, and more one-off expenses relating to environmental rectification were recorded in 2022 than in 2021 (not including the one-time write-off of inventories);

(ii) in respect of the Group's New Jewellery Retail segment operated by the Company's non-wholly-owned subsidiary CSMall Group, the overall sales for 2022 was lower than that for 2021 primarily due to the resurgence of COVID-19 in various parts of PRC during multiple periods in 2022, which resulted in temporary business suspensions at times and further weakened consumer sentiment in the PRC;

(iii) in respect of the Group's Silver Exchange segment, (a) the trading volume for 2022 decreased and hence the commission income was lower than that for 2021, primarily due to the resurgence of COVID-19 and the resulting prevention and control measures implemented in various parts of the PRC during multiple periods in 2022 as well as the relatively stable international silver price during 2022, both of which reduced commodity investors' eagerness and willingness to trade silver; and (b) a non-recurring impairment loss on certain intangible assets of approximately RMB57.7 million was recognized in 2022 due to a re-estimation of the segment's expected future cash flows; and

(iv) in respect of the Group's Fresh Food Retail segment operated by CSMall Group, which began to be consolidated as a non-wholly-owned subsidiary of CSMall Group and of the Company on 10 January 2022, its "Nongmuren" S2B2C platform was still in an expansion stage (especially during the first half of 2022) with a focus on expanding the network of collaborative stores and hence had not started to generate a net profit during 2022.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	*4*	**3,246,344**	2,303,523
Cost of sales and services provided		**(3,171,777)**	(2,164,578)
Gross profit		**74,567**	138,945
Other income, net		**7,185**	6,268
Other gains and losses, net	*5*	**(9,457)**	(11,138)
Selling and distribution expenses		**(41,982)**	(30,400)
Administrative expenses		**(100,359)**	(101,896)
Research and development expenses		**(1,015)**	(1,488)
(Provision for) reversal of impairment loss under expected credit loss model, net	*13*	**(1,651)**	9,004
Write-off of inventories	*11*	**–**	(2,408,511)
Impairment loss on intangible assets	*10*	**(57,678)**	–
Finance costs		**(22,581)**	(14,181)
Loss before income tax		**(152,971)**	(2,413,397)
Income tax credit	*6*	**8,135**	6
Loss for the year	*7*	**(144,836)**	(2,413,391)

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Loss for the year		**(144,836)**	(2,413,391)
Other comprehensive expense, net income of tax			
Item that will not be reclassified to profit or loss:			
Fair value loss on investment in an equity instrument at fair value through other comprehensive income ("FVTOCI")		**(29)**	(30)
Total comprehensive expense for the year		**(144,865)**	(2,413,421)
Loss for the year attributable to:			
Owners of the Company		**(120,766)**	(2,412,925)
Non-controlling interests		**(24,070)**	(466)
		(144,836)	(2,413,391)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(120,795)**	(2,412,955)
Non-controlling interests		**(24,070)**	(466)
		(144,865)	(2,413,421)
		RMB	*RMB*
Loss per share	*9*		
Basic		**(0.065)**	(1.482)
Diluted		**(0.065)**	(1.482)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**127,814**	141,790
Goodwill	16	**12,476**	–
Right-of-use assets		**20,763**	23,777
Intangible assets	10	**34,321**	97,208
Deferred tax assets		**6,295**	8,626
Refundable rental deposits		**762**	996
Equity instrument at FVTOCI		**7,348**	7,377
Deposits paid on acquisition of non-current assets		**2,721**	1,294
		212,500	281,068
CURRENT ASSETS			
Inventories	11	**1,056,274**	1,054,154
Trade and other receivables	12	**111,594**	69,035
Income tax recoverable		**1,385**	–
Restricted bank balances		**5,291**	100,415
Pledged bank deposits		**166,900**	40,000
Bank balances and cash		**589,225**	316,805
		1,930,669	1,580,409
CURRENT LIABILITIES			
Trade and other payables	14	**417,368**	335,349
Amount due to a non-controlling interest		**15,467**	–
Lease liabilities – current portion		**3,721**	3,965
Contract liabilities		**17,012**	19,531
Deferred income		**2,182**	2,182
Income tax payable		**8,165**	9,060
Bank borrowings	15	**406,382**	230,000
		870,297	600,087
NET CURRENT ASSETS		**1,060,372**	980,322
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,272,872**	1,261,390

	2022	2021
	RMB'000	*RMB'000*
CAPITAL AND RESERVES		
Share capital	**15,935**	13,284
Share premium and reserves	**420,803**	387,802
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	**436,738**	401,086
Non-controlling interests	**821,145**	832,221
TOTAL EQUITY	**1,257,883**	1,233,307
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**1,549**	9,803
Lease liabilities – non-current portion	**1,718**	4,378
Deferred income	**11,722**	13,902
	14,989	28,083
TOTAL EQUITY AND NON-CURRENT LIABILITIES	**1,272,872**	1,261,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

China Silver Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 July 2012 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 28 December 2012.

The address of the registered office is Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands and principal place of business in Hong Kong of the Company is Unit 5, 17/F, China Merchants Tower, Shun Tak Centre, 168- 200 Connaught Road Central, Sheung Wan, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are (i) the manufacture, sale and trading of silver ingots, palladium and other non-ferrous metals in the People's Republic of China (the "**PRC**"); (ii) design and sale of gold, silver, colored gemstones, gem-set and other jewellery products in the PRC; (iii) provide professional electronic platform and related services for trading of silver ingots; and (iv) 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 consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

Going concern basis

The Group incurred a net loss of RMB144,836,000 for the year ended 31 December 2022. During the year ended 31 December 2021, Jiangxi Longtianyong was subjected to two administrative penalty notices and a rectification notice (collectively, the "**Notices**") issued by the Ji'an City Yongfeng Ecology and Environment Bureau to undertake rectification measures including demolition of non-compliant facilities and construction of new compliant facilities. In light of such circumstances, the Group has demolished non-compliant facilities and completed the construction of new facilities during the years ended 31 December 2021 and 2022, respectively. The production facilities of silver and palladium had been put into operation since June 2022 and August 2022, respectively. However, as a result of (i) the stringent COVID-19 prevention and control measures implemented in the PRC (including Yongfeng County where Jiangxi Longtianyong is based) up to November 2022; (ii) the gradual relaxation of these measures and the ensuing widespread resurgence of COVID-19 in the PRC in November 2022 to December 2022; and (iii) the weak PRC economy and consumer sentiment in general, the operations of Jiangxi Longtianyong's production facilities and the demand for its silver and palladium products had been adversely affected, and hence its production activities had still not reached an optimal scale as at the end of 2022. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the ability of the Group to attain profit and positive cash flows from operations in the immediate and longer term.

The ability of the Group to operate as a going concern is also dependent upon the availability of the banking facilities. As at 31 December 2022, the Group had bank borrowings of RMB406,382,000 which would all be due within one year. The directors of the Company do not expect to experience significant difficulties in renewing most of these bank borrowings upon their maturities.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In order to improve the Group's financial positions, liquidity and cash flows, the directors of the Company have adopted or in the process of adopting the following measures:

(a) The Group will closely monitor and supervise its production activities and carry out possible further rectification works to ensure that the Group will comply with the relevant national environmental laws. In particular, Jiangxi Longtianyong will continue to (i) communicate with the relevant governmental authorities in order to achieve the final acceptance of its facilities for the production of silver and palladium, which will enable a wider range of production processes to be carried out; (ii) complete the installation, testing and trial run of its facilities for the production of other products such as tin and lead; and (iii) ramp up its production levels in light of the continued subsidence of COVID-19 and expected economic recovery in the PRC. The Group is also maximising its sales effort, including speeding up of sales of its existing inventories and seeking new markets or new customers, exploring new business opportunities and implementing more stringent cost control measures with a view to improving operating cash flows.

(b) The Group has maintained long business relationships with its principal bankers, and for borrowings which will be maturing before 31 December 2023, the Group is actively negotiating with the banks before they fall due to secure their renewals so as to ensure that the necessary funds to meet the Group's working capital and financial requirements in the future will continue to be available.

The directors have reviewed the Group's cash flow projections prepared by management that covered a period of not less than twelve months from the end of the reporting period and considered that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period, and therefore it is appropriate to prepare the consolidated financial information on a going concern basis.

Should the Group fail to realise its plan to improve its financial position, adjustments would have to be made to write down the carrying amounts of assets to their estimated recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities which may arise. The effects of these adjustments have not been reflected in the consolidated financial statements.

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

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

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

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

2.1(b) New Standards and amendments to IFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after a date to be determined.

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

3. SEGMENT INFORMATION

The Group'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 PRC ("**Manufacturing segment**");

(ii) designing and sales of gold, silver, coloured gemstones, gem-set and other jewellery products in the PRC ("**New Jewellery Retail segment**");

(iii) providing professional electronic platform, 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 services along the agricultural supply chain in the PRC ("**Fresh Food Retail segment**").

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

Segment revenue and results

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

For the year ended 31 December 2022

	Manufacturing segment *RMB'000*	New Jewellery Retail segment *RMB'000*	Silver Exchange segment *RMB'000*	Fresh Food Retail segment *RMB'000*	Segment total *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Revenue							
External sales	1,441,305	280,463	14,769	1,509,807	3,246,344	–	3,246,344
Inter-segment sales*	83,669	41	–	–	83,710	(83,710)	—
Total segment revenue	1,524,974	280,504	14,769	1,509,807	3,330,054	(83,710)	3,246,344
Results							
Segment results	(22,368)	(9,105)	(60,260)	(18,111)	(109,844)	–	(109,844)
Non-segment items							
Unallocated income, expenses, gains and losses							(20,797)
Unallocated finance costs							(22,330)
Loss before income tax							(152,971)

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

For the year ended 31 December 2021

	Manufacturing segment *RMB'000*	New Jewellery Retail segment *RMB'000*	Silver Exchange segment *RMB'000*	Segment total *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Revenue						
External sales	1,891,945	364,022	47,556	2,303,523	–	2,303,523
Inter-segment sales*	92,522	165	–	92,687	(92,687)	–
Total segment revenue	1,984,467	364,187	47,556	2,396,210	(92,687)	2,303,523
Results						
Segment results	(2,420,889)#	9,829	30,996	(2,380,064)	–	(2,380,064)
Non-segment items						
Unallocated income, expenses, gains and losses						(19,514)
Unallocated finance costs						(13,819)
Loss before income tax						(2,413,397)

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

Included the write-off of inventories of RMB2,408,511,000.

Segment results represent profit earned (loss incurred) by each segment, without allocation of property, administrative expenses, certain other income, certain other gains and losses, and certain finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

At 31 December 2022

	Manufacturing segment *RMB'000*	**New Jewellery Retail segment** *RMB'000*	**Silver Exchange segment** *RMB'000*	**Fresh Food Retail segment** *RMB'000*	**Total** *RMB'000*
Assets					
Segment assets	**483,171**	**1,535,864**	**36,866**	**76,841**	**2,132,742**
Unallocated corporate assets					**10,427**
Total assets					**2,143,169**
Liabilities					
Segment liabilities	**586,457**	**193,981**	**17,262**	**72,751**	**870,451**
Unallocated corporate liabilities					**14,835**
Total liabilities					**885,286**

At 31 December 2021

	Manufacturing segment *RMB'000*	New Jewellery Retail segment *RMB'000*	Silver Exchange segment *RMB'000*	Total *RMB'000*
Assets				
Segment assets	264,880	1,377,183	216,958	1,859,021
Unallocated corporate assets				2,456
Total assets				1,861,477
Liabilities				
Segment liabilities	361,992	123,035	125,080	610,107
Unallocated corporate liabilities				18,063
Total liabilities				628,170

Other segment information

For the year ended 31 December 2022

	Manufacturing segment *RMB'000*	New Jewellery Retail segment *RMB'000*	Silver Exchange segment *RMB'000*	Fresh Food Retail segment *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets						
Amortisation of intangible assets	**(362)**	**–**	**(11,043)**	**(774)**	**–**	**(12,179)**
Depreciation of property, plant and equipment	**(11,961)**	**(4,560)**	**(1,143)**	**(77)**	**–**	**(17,741)**
Depreciation of right-of-use assets	**(368)**	**(2,598)**	**(4)**	**–**	**(1,364)**	**(4,334)**
Fair value loss on investment in equity instrument at FVTOCI	**–**	**–**	**(29)**	**–**	**–**	**(29)**
Provision for impairment loss under expected credit loss model, net	**(102)**	**(812)**	**–**	**(737)**	**–**	**(1,651)**
Loss on write-off and disposal of property, plant and equipment	**(5,622)**	**(568)**	**(12)**	**(1)**	**–**	**(6,203)**
Impairment loss on intangible assets	**–**	**–**	**(57,678)**	**–**	**–**	**(57,678)**

For the year ended 31 December 2021

	Manufacturing segment *RMB'000*	New Jewellery Retail segment *RMB'000*	Silver Exchange segment *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets					
Amortisation of intangible assets	(362)	–	(10,268)	–	(10,630)
Depreciation of property, plant and equipment	(13,271)	(5,204)	(366)	(1)	(18,842)
Depreciation of right-of-use assets	(435)	(5,181)	(3)	(854)	(6,473)
Fair value loss on investment in equity instrument at FVTOCI	–	–	(30)	–	(30)
Reversal of impairment loss under expected credit loss model, net	275	8,729	–	–	9,004
Loss on write-off and disposal of property, plant and equipment	(10,597)	(1,397)	–	–	(11,994)
Write-off of inventories	(2,408,511)	–	–	–	(2,408,511)

Geographical information

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

	Revenue from external customers		Non-current assets	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The mainland of the PRC	**3,246,344**	2,303,523	**184,565**	262,970
Hong Kong	**–**	–	**1,054**	1,099
	3,246,344	2,303,523	**185,619**	264,069

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

Information about major customers

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

	2022	2021
	RMB'000	*RMB'000*
Customer A#	**N/A***	338,513
Customer B#	**N/A***	318,881
Customer C#	**N/A***	448,321

\# *Revenue from sales of palladium in Manufacturing segment.*

* *The corresponding revenue did not contribute over 10% of the total revenue of the Group during the relevant financial year.*

4. REVENUE

Disaggregation of revenue from contracts with customers

	2022	2021
Segments	***RMB'000***	*RMB'000*
By types of goods and services		
Manufacturing segment		
– Sales of silver ingots	**1,425,756**	308,327
– Sales of palladium	**6,956**	1,448,111
– Sales of lead ingots	**–**	56,624
– Sales of other metal by-products	**8,593**	78,883
	1,441,305	1,891,945
New Jewellery Retail segment		
– Sales of gold products	**161,559**	149,893
– Sales of silver products	**115,368**	211,166
– Sales of colored gemstones	**2,842**	1,926
– Sales of gem-set and other jewellery products	**694**	1,037
	280,463	364,022
Silver Exchange segment		
– Commission income	**14,769**	47,556
Fresh Food Retail segment		
– Sales of fresh food products	**1,509,807**	–
Total	**3,246,344**	2,303,523
By geographical market		
The mainland of the PRC	**3,246,344**	2,303,523

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

5. OTHER GAINS AND LOSSES, NET

	2022	2021
	RMB'000	*RMB'000*
Net exchange (loss) gain	**(3,273)**	856
Loss on write-off and disposal of property, plant and equipment *(Note)*	**(6,203)**	(11,994)
Others	**19**	–
	(9,457)	(11,138)

Note: The amount included the loss on write-off and disposal of property, plant and equipment of RMB10,597,000 during the year ended 31 December 2021, resulting from the Group's demolition of non-compliant facilities of Jiangxi Longtianyong in accordance with the competent governmental authorities' requirements amounting to RMB7,634,000 and the Group's enhancement of production processes and replacement of dilapidated equipment amounting to RMB2,963,000. All amount incurred for the loss on write-off and disposal of certain plant and equipment for the year ended 31 December 2022 was not resulted from demolition of non-compliant facilities.

6. INCOME TAX CREDIT

	2022	2021
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")		
– current year	**81**	8,349
– overprovision in respect of prior years	**(550)**	(7,238)
	(469)	1,111
Deferred taxation – current year	**(7,666)**	(1,117)
	(8,135)	(6)

7. LOSS FOR THE YEAR

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

	2022	2021
	RMB'000	*RMB'000*
Directors' emoluments	**4,468**	4,581
Other staff costs:		
– salaries and other allowances	**34,187**	31,129
– retirement benefit scheme contributions	**6,291**	8,045
Total staff costs	**44,946**	43,755
Auditor's remuneration	**1,975**	2,223
Amortisation of intangible assets	**12,179**	10,630
Depreciation of property, plant and equipment	**17,741**	18,842
Depreciation of right-of-use assets	**4,334**	6,473
Cost of inventories and services recognised as expenses (included in cost of sales and services provided)	**3,171,777**	2,164,578
Write-off of inventories	**–**	2,408,511
Expenses on short-term leases in respect of office premises and retail shops	**3,757**	5,125
Pollutant handling fees	**4,366**	1,454

8. DIVIDENDS

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

9. LOSS PER SHARE

The calculations of the basic and diluted loss per share attributable to owners of the Company are based on the following data:

	2022	2021
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share *(RMB'000)*	**(120,766)**	(2,412,925)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share (in thousand)	**1,868,422**	1,628,401
Effects of dilutive potential ordinary shares:		
– Share options of the Company (in thousand)	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share (in thousand)	**1,868,422**	1,628,401

For the year ended 31 December 2022 and 2021, the computation of diluted 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.

10. INTANGIBLE ASSETS

	Patent	System software	Customer relationship	Trademark	Platform	License	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at 1 January 2021	6,000	50,756	78,363	34,679	–	1,800	171,598
Additions	–	6,900	–	–	–	–	6,900
At 31 December 2021	**6,000**	**57,656**	**78,363**	**34,679**	**–**	**1,800**	**178,498**
At 31 December 2021	**6,000**	**57,656**	**78,363**	**34,679**	**–**	**1,800**	**178,498**
Addition upon acquisition of a subsidiary *(Note 17)*	**–**	**–**	**–**	**–**	**6,970**	**–**	**6,970**
As at 31 December 2022	**6,000**	**57,656**	**78,363**	**34,679**	**6,970**	**1,800**	**185,468**
Amortisation and impairment							
As at 1 January 2021	3,227	27,433	39,314	686	–	–	70,660
Provided for the year	362	2,587	7,681	–	–	–	10,630
As at 31 December 2021	**3,589**	**30,020**	**46,995**	**686**	**–**	**–**	**81,290**
At 31 December 2021	**3,589**	**30,020**	**46,995**	**686**	**–**	**–**	**81,290**
Provided for the year	**361**	**3,361**	**7,683**	**–**	**774**	**–**	**12,179**
Impairment loss during the year	**–**	**–**	**23,685**	**33,993**	**–**	**–**	**57,678**
As at 31 December 2022	**3,950**	**33,381**	**78,363**	**34,679**	**774**	**–**	**151,147**
Carrying values							
As at 31 December 2022	**2,050**	**24,275**	**–**	**–**	**6,196**	**1,800**	**34,321**
As at 31 December 2021	2,411	27,636	31,368	33,993	–	1,800	97,208

11. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials *(Note)*	**539,737**	524,867
Finished goods	**516,537**	529,287
	1,056,274	1,054,154

Note: As at 31 December 2022, the carrying amounts of raw materials aged less than 1 year and over 1 year are RMB90,792,000 (2021: RMB524,626,000) and RMB448,945,000 (2021: RMB241,000), respectively.

During the year ended 31 December 2021, certain of Jiangxi Longtianyong's inventory of raw materials with an amount of RMB2,408,511,000 which was previously being refined for production purposes was deemed to be hazardous waste pursuant to the two administrative penalty notices and a rectification notices (collectively, the "**Notices**") issued by the Ji'an City Yongfeng Ecology and Environment Bureau（吉安市永豐生態環境局）and ordered to be disposed of. As a result, there was a write-off of inventories of RMB2,408,511,000, penalties imposed from the Notices of RMB1,454,000 and costs incurred for disposal of the relevant inventories being written off of RMB3,164,000, all of these have been recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2021. Details of which are set out in the Company's announcement dated 7 June 2021. There was no such write-off of inventories during the year ended 31 December 2022.

12. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables for contracts with customers	**35,199**	35,524
Less: allowance for expected credit losses	**(14,343)**	(12,018)
	20,856	23,506
Other receivables, deposits and prepayments	**67,034**	17,187
Prepayments to suppliers *(Note)*	**3,227**	3,802
Value-added tax ("**VAT**") recoverable	**20,477**	24,540
	111,594	69,035

Note: The balance represents prepayments for purchase of inventories under the Group's Manufacturing and New Jewellery Retail segments.

Before accepting any new customer, other than those settling by cash or credit card, 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 generally grants its customers a credit period ranging from 0 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:

	2022	2021
	RMB'000	*RMB'000*
0 – 30 days	**17,694**	18,532
31 – 60 days	**732**	1,981
61 – 90 days	**312**	1,061
Over 90 days	**2,118**	1,932
	20,856	23,506

As at 31 December 2022, included in the Group's trade receivables, net of allowance of expected credit losses, were debtors with an aggregate carrying amount of RMB10,953,000 (2021: RMB12,436,000) which were past due as at the reporting date. Out of the past due balances, RMB1,772,000 (2021: RMB1,367,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customer. The Group does not hold any collateral over these balances.

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

	2022	2021
	RMB'000	*RMB'000*
(Provision for) reversal of impairment loss recognised in respect of trade receivables, net	**(1,651)**	9,004

14. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**32,912**	32,231
Other payables and accrued expenses *(Note i)*	**119,515**	72,037
Bills payables *(Note ii)*	**206,800**	80,000
Deposits received for using the silver exchange platform	**5,291**	100,415
Amount due to Huatong International *(Note iii)*	**19,184**	19,278
VAT and other tax payables	**13,453**	10,540
Provision for restoration cost for environment in Jiangxi Longtianyong	**12,800**	12,626
Provision for termination of assignment contracts *(Note iv)*	**7,413**	8,222
	417,368	335,349

Notes:

i. Included in the other payables are payables for office leasehold improvement amounting to RMB10,084,000 (2021: RMB14,767,000), interest payables amounting to RMB248,000 (2021: RMB354,000) and amounts due to third parties amounting to RMB8,227,000 (2021: RMB8,250,000).

ii. As at 31 December 2022, bills payables amounting to RMB206,800,000 (2021: RMB40,000,000) are secured by pledged bank deposits of RMB166,900,000 (2021: RMB40,000,000). The remaining bills payables amounting to nil (2021: RMB40,000,000) are secured by machinery with a carrying value of approximately nil (2021: RMB6,466,000). In addition, for the bill payables as at 31 December 2021 were secured by personal guarantees executed by Mr. Chen Wantian (a director of the Company).

iii. Huatong International is a company which the Group held 18% equity interest and accounted for as 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 wholly-owned subsidiary of the Group entered into an assignment contract (the "**Contract**") with Huzhou South Taihu New District Management Committee (the "**Committee**") and Huzhou Municipal Bureau of Natural Resources and Planning (the "**Bureau**") in relation to the acquisition of the land use right over a piece of land located in Huzhou, the PRC (the "**Acquisition**"). The total consideration for the land use right was RMB285,000,000.

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

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

   * *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:

	2022	2021
	RMB'000	*RMB'000*
0 – 30 days	**6,845**	10,242
31 – 60 days	**1,750**	–
61 – 90 days	**343**	917
Over 90 days	**23,974**	21,072
	32,912	32,231

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

15. BANK BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Secured bank borrowings carrying interest at fixed rate, repayable within one year and without a repayment on demand clause	**223,382**	230,000
Secured bank borrowings carrying interest at floating rate, repayable within one year and without a repayment on demand clause	**183,000**	–
	406,382	230,000

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

	2022	2021
Effective interest rate per annum	**5.60%**	5.31%

The total banking facility granted to the Group amounted to RMB480,331,000 (2021: RMB230,000,000) of which RMB406,382,000 (2021: RMB230,000,000) were utilised.

As at 31 December 2022, bank borrowing are secured and/or guaranteed by (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 (2021: secured and/or guaranteed by (i) leasehold land, building and machinery with aggregate carrying amount of RMB16,326,000, RMB60,949,000 and RMB6,466,000 respectively; and (ii) personal guarantees given by Mr. Chen Wantian, a director of the Company and his spouse).

Bank borrowings of RMB223,382,000 as at 31 December 2022 (2021: RMB220,000,000) carry interest at fixed rates, ranging from 3.9% to 14.4% (2021: at 5.25%) per annum and RMB183,000,000 (2021: nil) carry interest at loan prime rate plus from 0.96% to 2.80% per annum.

16. GOODWILL

	RMB'000
Cost	
As at 1 January 2021 and 31 December 2021	–
Acquisition of a subsidiary *(note 17)*	12,476
As at 31 December 2022	12,476
Impairment	
As at 1 January 2021, 31 December 2021 and 31 December 2022	–
Carrying values	
As at 31 December 2022	**12,476**
As at 31 December 2021	–

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

17. ACQUISITION OF A SUBSIDIARY

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

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

* *The English name is for identification only*

Consideration through capital injection

	RMB'000
Cash consideration paid	9,000
Cash consideration payable	17,000
	26,000

Assets acquired and liabilities recognised at the date of acquisition

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

Goodwill on acquisition

	RMB'000
Consideration to be satisfied	26,000
Add: non-controlling interests	12,994
Less: net assets acquired	(26,518)
	12,476

Net cash inflow arising on acquisition

	RMB'000
Bank balances and cash acquired	1,398

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

In spite of the continuation of COVID-19 which has profoundly affected people's lives and the global economy since 2020, as various countries have matured in their responses, the impact of the epidemic in the PRC gradually fades and the economy is picking up as a result. We are pleased to see that the Group successfully completed a series of upgrades and rectification for production facilities of the Manufacturing segment to meet the higher requirements under environmental protection policies of the PRC, and successfully resumed production during the year.

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 and contributed to the strong sales revenue of the Group.

For the year ended 31 December 2022, 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) Silver Exchange segment, i.e. providing professional electronic platform and related services for trading of silver ingots in the PRC; (iii) New Jewellery Retail segment operated under CSMall Group, i.e. designing and online and offline integrated sales of gold, silver, colored gemstones, gemset and other jewellery products 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.

For the year ended 31 December 2022, the Group recorded sales of approximately RMB3,246.3 million (2021: RMB2,303.5 million), representing a significant increase of approximately 40.9% over last year, mainly due to the strong performance of the newly acquired Fresh Food Retail segment, offsetting the decline in sales of other segments. For the year ended 31 December 2022, the Group recorded gross profit of approximately RMB74.6 million (2021: RMB138.9 million), representing a significant decrease of approximately 46.3% compared to last year. All segments had experienced some level of disruption by strict epidemic prevention and control measures, which affected economic activities and led to an uncertain market outlook, resulting in a significant drop in gross profit margin. Meanwhile, the "Nongmuren" S2B2C (supply chain to business to customer) platform was still in an expansion stage with a focus on expanding the network of collaborative stores, and hence had not started to generate a net profit.

The Group recorded loss attributable to owners of the Company of approximately RMB120.8 million for the year ended 31 December 2022 (2021: approximately RMB2,412.9 million). The significant decrease in loss was mainly attributable to the one-time write-off of inventories in the amount of approximately RMB2,408.5 million as recorded by the Manufacturing segment in 2021, which was absent in 2022. Excluding the effect of the write-off of inventories, the Group would have recorded a loss attributable to owners of the Company of approximately RMB4.4 million in the prior year. On this basis, the loss attributable to owners of the Company of approximately RMB120.8 million for the year would represent a year-on-year increase in net loss, which was mainly attributable to the factors mentioned in the section headed "Financial Review – Loss attributable to owners of the Company" in this announcement.

MANUFACTURING SEGMENT

Between 23 April 2021 and 20 May 2021, the Ji'an City Yongfeng Ecology and Environment Bureau*（吉安市永豐生態環境局）(the "**Yongfeng Ecology and Environment Bureau**") issued two administrative penalty notices and a rectification notice (collectively, the "Notices") to 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. According to the Notices, between 22 April 2021 and 8 May 2021, the Central Ecological and Environmental Protection Inspection Group（中央生態環境保護督察組）and the Yongfeng Ecology and Environment Bureau inspected Jiangxi Longtianyong's premises and found that the production and storage facilities of Jiangxi Longtianyong had been in contravention of certain national environmental laws. As a result of the contraventions, the Yongfeng Ecology and Environment Bureau ordered Jiangxi Longtianyong to suspend its production activities from 26 April 2021 onwards pending completion of certain rectification measures. Jiangxi Longtianyong has engaged an environmental specialist to provide recommendations on the appropriate rectification measures to address the Yongfeng Ecology and Environment Bureau's concerns. Following the adoption of rectification measures by Jiangxi Longtianyong, such as the demolition of non-compliant facilities and construction of compliant facilities, on 24 August 2021, it received the notice that the relevant authorities have approved in principle the resumption of production of Jiangxi Longtianyong's silver electrolysis production line (the "**Silver Electrolysis Production Line**").

As part of Jiangxi Longtianyong's efforts to fully resume production activities, Jiangxi Longtianyong has been working to upgrade and enhance its production facilities for the clean production of tin and precious metals (including gold, silver and palladium) (the "**Project**"). The environmental impact report for the Project (the "**Report**") would need to be subject to review, technical evaluation and expert assessment by multiple governmental authorities as well as multiple rounds of pre-approval public inspection before it could be formally approved.

In parallel with the aforesaid environmental impact assessment process, Jiangxi Longtianyong had been constructing the production facilities for the Project, and had practically resumed the production activities of the Silver Electrolysis Production Line on a commercial scale since mid-June 2022.

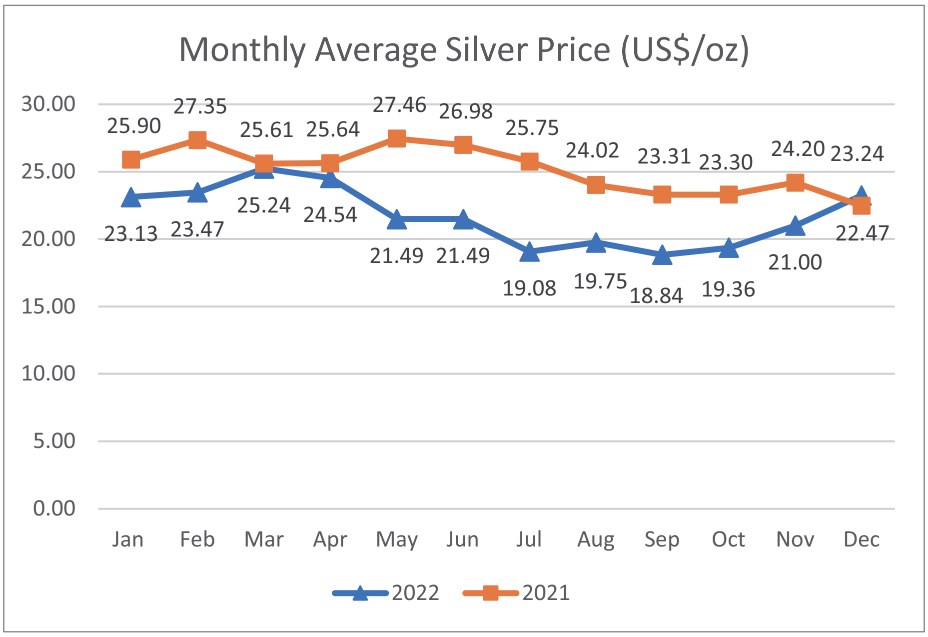
On 27 July 2022, the Report was formally approved by the Department of Ecology and Environment of Jiangxi Province（江西省生態環境廳）(the "**Provincial Department**"). Although there will be continuous monitoring, supervision and possible further rectification works before the final acceptance of the Project, it is expected that these post-approval procedures would not impede Jiangxi Longtianyong's resumption of operation of the Silver Electrolysis Production Line and the Palladium Sponge Production Line (defined below).

Subsequently, Jiangxi Longtianyong has continued with the construction works for the Project, among which it has completed the installation of facilities for the production of palladium sponge (a type of high-purity palladium product) from raw palladium (the "**Palladium Sponge Production Line**"). Following the aforesaid formal approval of the Report, Jiangxi Longtianyong has conducted continuous testing and trial run of the Palladium Sponge Production Line, and the Palladium Sponge Production Line has been officially put into operation on a commercial scale since 25 August 2022. In addition to silver and palladium, it is expected that, on the basis of the approval of the Report, the production of certain other products such as tin and lead will resume after the installation, testing and trial run of the relevant production facilities.

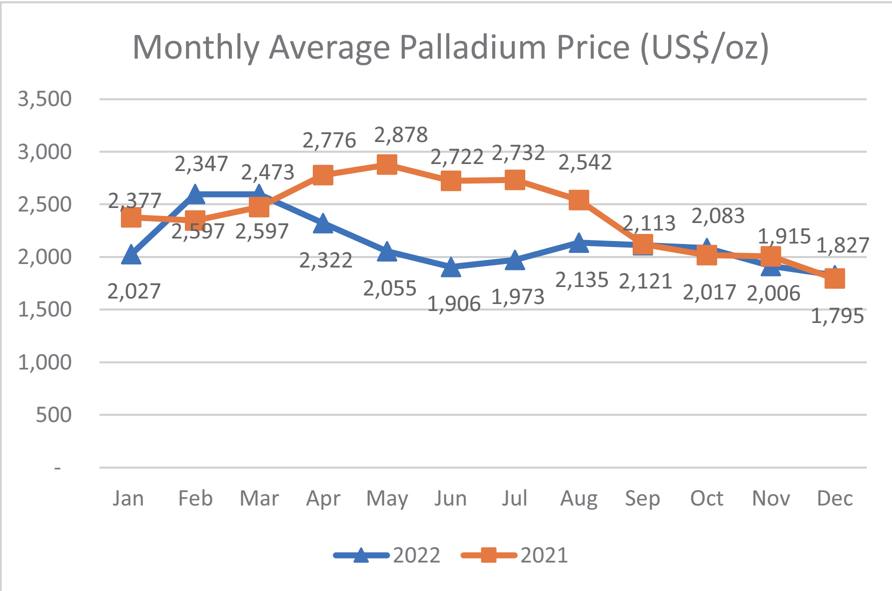
Further details of the suspension of production and subsequent developments are set out in the announcements published on 7 June 2021, 25 August 2021, 22 February 2022, 17 June 2022 and 26 August 2022.

The Group's sales in the Manufacturing segment decreased by approximately 23.8% to approximately RMB1,441.3 million for the year ended 31 December 2022 (2021: RMB1,891.9 million). Although Jiangxi Longtianyong resumed production on a commercial scale in the second half of 2022 as mentioned above, as a result of the resurgence of COVID-19 and the resulting stringent prevention and control measures implemented in various parts of the PRC in 2022, the production of plants was still suspended at times during the year, which along with the weak market economy, resulted in reduced demand and sales.

Sales of silver ingots increased from approximately RMB308.3 million for the year ended 31 December 2021 to approximately RMB1,425.8 million for the year ended 31 December 2022, representing a significant increase of approximately 362.4%, mainly because the resumption of production of Jiangxi Longtianyong's silver electrolysis production line during the year. The graph below shows the change in international silver price quoted on the London Bullion Market Association from January 2021 to December 2022:



For the year ended 31 December 2022, we sold approximately 15.0 kg (2021: 2,900.0 kg) of palladium to customers, and sales of palladium decreased significantly by approximately 99.5% from approximately RMB1,448.1 million for the year ended 31 December 2021 to approximately RMB7.0 million for the year ended 31 December 2022, mainly because less palladium is produced since the resumption of Palladium Sponge Production line, mainly due to the weak economy resulted in reduced demand. The graph below shows the change in international palladium price quoted on the London Bullion Market Association from January 2021 to December 2022:



NEW JEWELLERY RETAIL SEGMENT OPERATED UNDER CSMALL 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 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.

For the year ended 31 December 2022, the New Jewellery Retail segment under CSMall Group recorded sales of approximately RMB280.5 million (2021: RMB364.0 million), representing a decrease of approximately 23.0% as compared to that for the last year, and segment loss of approximately RMB9.1 million (2021: profit of RMB9.8 million). The decrease in segment sales and the turnaround from profit to loss were mainly due to the resurgence of COVID-19 and the resulting stringent prevention and control measures implemented in various parts of the PRC during multiple periods in 2022, which resulted in temporary business suspensions and further weakened consumer sentiment in the PRC.

Online Sales Channels

(i) Third-party online sales channels

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

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

(ii) Self-operated online platform

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

Offline Retail and Service Network

(i) CSmall Shops

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

(ii) Shenzhen Exhibition Hall

We sell products at the Shenzhen Exhibition Hall in Shuibei, Shenzhen, which is generally believed to be home to the PRC's largest and leading jewellery trading and wholesale market. The Shenzhen Exhibition Hall showcases the product designs of our self-owned brands and certain third-party brands, and also serves as an interactive exhibition and sales platform primarily for our wholesale customers as well as franchisees.

(iii) Third-party offline points of sale

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

SILVER EXCHANGE SEGMENT

In 2016, the Group further expanded the downstream business by acquiring Shanghai Huatong Silver Exchange Company Limited*（上海華通鉑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.

For the year ended 31 December 2022, the Silver Exchange segment operated by Shanghai Huatong recorded sales of approximately RMB14.8 million (2021: RMB47.6 million), representing a substantial decrease of approximately 68.9% over the last year; the segment loss was approximately RMB60.3 million (2021: profit of approximately RMB31.0 million). The decrease in segment sales and the turnaround from profit to loss were mainly due to the resurgence of COVID-19 and the resulting stringent prevention and control measures implemented in various parts of the PRC during multiple periods in 2022, which reduced commodity investors' eagerness and willingness to trade silver and resulted in a decrease in transaction volume, and also because a non-recurring impairment loss on certain intangible assets of approximately RMB57.7 million was recognized in 2022 due to a re-estimation of the segment's expected future cash flows.

FRESH FOOD RETAIL SEGMENT OPERATED UNDER CSMALL GROUP

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

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

At present, Nongmuren has covered most of the farmers' markets in Suzhou, the PRC with nearly 1,000 stores, and the total number of stores was nearly 5,000 over 16 cities across the country. Leveraging the advantages of the single-product supply chain, Nongmuren launched the "Meat Shopkeeper (肉掌櫃)" platform in 2022 for pork, an everyday product with rigid demand. Digitization was realized for the whole process from fresh pork production to consumption by citizens through empowerment of small and medium-sized businesses by the S2B2C digital supply chain model. For store owners, the purchase price is lower, and the profit margin of trading is higher. For Nongmuren, it can more accurately estimate sales volume, making it easier to achieve zero inventory and reduce storage costs; on the other hand, after the "Meat Shopkeeper" platform arranges delivery, Nongmuren can save substantial costs on self-built warehouses and cold chains through cooperation with stall owners and merchants in terms of logistics and distribution, with merchants in charge of logistics and distribution. The stalls and stores at farmers' markets join the "Meat Shopkeeper" platform without any franchise fees, and they place orders from channels of Nongmuren and are subject to assessment and supervision through the "Nongmuren – Meat Shopkeeper (農牧人一肉掌櫃)" application. Directly from slaughterhouses to stall owners at farmers' markets, with end-to-end communication between stall owners and pork producers, followed by direct supply of meat through cold chain logistics systems, the two intermediate layers of wholesaling are eliminated. Also, by empowering mom-and-pop stores, Nongmuren does not require any preposition warehouses (i.e. in-town service stations for storage and distribution), thus saving the burden of contract performance costs. With the reduction in the layers of circulation, consumers can enjoy lower prices.

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

PROSPECTS

Since 2022, various central banks have tightened their monetary policies to curb inflation, inevitably putting a downward pressure on prices of precious metals. However, with recent collapses one after another in sectors such as cryptocurrency and commercial banking, the international demand for safe haven assets including silver and gold products is still strong. Therefore, we still have full confidence in the manufacturing and sales of silver, gold products and other precious metals in the PRC. 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 industry in a timely manner to diversify its business risks.

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

The Group is also looking for new business growth drivers for its New Jewellery Retail segment. In particular, its SISI brand has started to focus on the green and environmentally friendly pet hair lab-grown diamond product category. Leveraging on the price advantages, environmental friendliness, wide variety (with colored diamonds and special-shaped diamonds), high-tech sense and other attributes of lab-grown diamonds, we have put forward the brand concept of "planting love for it（為它種愛）" for the first time, whereby we will cultivate pet hair into diamonds and integrate the love for pets through advanced technologies by growing diamonds with the DNA of pets. Besides, apart from synthetic lab-grown diamonds, the Group will continue to be optimistic about the room for appreciation and market potential of colored gemstones. Due to the scarcity and the properties of value preservation and value appreciation of rubies, the Group will carefully consider its sales strategy and gradually expand the sales market, and rubies will see a long-term and stable price increase. The Group expects that the three-year shadow cast by the Epidemic will soon dissipate. We expect consumption in the Chinese market to rise moderately this year.

In view of the above, the Group will proactively respond to the unfavorable factors brought about by COVID-19, economic slowdown and other contingencies, operate prudently, give full play to its advantages, and maintain sustainable profitability. We believe that with the gradual end of the epidemic and the resumption of the production of the Group's Manufacturing segment, together with the implementation of the central government's high requirements under environmental protection policies, as well as the multiple impacts from the epidemic and the current international environment, the survival of the fittest in the industry will continue. In the long run, all these factors 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. At the same time, as the New Jewellery Retail segment, being a consumer discretionary sector, was adversely affected by the epidemic and weak consumption, the Group, after careful research and investigation, invested in the Fresh Food Retail segment through S2B2C, thereby maximising shareholders' value. We remain confident of the future development of the Group.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 December 2022 was approximately RMB3,246.3 million (2021: RMB2,303.5 million), representing an increase of approximately 40.9% from that of 2021.

	2022		2021	
	Revenue ***RMB'000***	**% of revenue**	Revenue *RMB'000*	% of revenue
Manufacturing segment				
Sales of silver ingots	**1,425,756**	**43.9%**	308,327	13.4%
Sales of palladium	**6,956**	**0.2%**	1,448,111	62.9%
Sales of lead ingots and other metal by-products	**8,593**	**0.3%**	135,507	5.9%
	1,441,305	**44.4%**	1,891,945	82.2%
Segments operated under CSMall Group				
New Jewellery Retail segment				
Sales of gold, silver, colored gemstones, gem-set and other jewellery products	**280,463**	**8.6%**	364,022	15.8%
Fresh Food Retail segment				
Sale of fresh food products	**1,509,807**	**46.5%**	–	–
	1,790,270	**55.1%**	364,022	15.8%
Silver Exchange segment				
Commission income	**14,769**	**0.5%**	47,556	2.0%
Total	**3,246,344**	**100%**	2,303,523	100.0%

Manufacturing segment

Sales of silver ingots significantly increased from approximately RMB308.3 million for the year ended 31 December 2021 to approximately RMB1,425.8 million for the year ended 31 December 2022, representing a significant increase of approximately 362.4% from that of 2021.

Sales of palladium decreased from approximately RMB1,448.1 million for the year ended 31 December 2021 to approximately RMB7.0 million for the year ended 31 December 2022, represent a significant decrease of approximately 99.5% and sales of lead ingots and other metal by-products decreased from approximately RMB135.5 million for the year ended 31 December 2021 to approximately RMB8.6 million for the year ended 31 December 2022.

The overall decrease in sales was mainly because of Jiangxi Longtianyong's suspension of production till June 2022. As disclosed in the Company's announcements on 17 June 2022 and 26 August 2022, Jiangxi Longtianyong had resumed the production activities of its Silver Electrolysis Production line and its Palladium Sponge Production Line on a commercial scale since mid-June 2022 and since 25 August 2022 respectively. Although the production of silver ingot during the year have already increased significantly compared with last year, the production and sales of palladium were still far below last year's level, which held back the overall sales resumption of the segment.

New Jewellery Retail segment operated under CSMall Group (stock code: 1815)

For the year ended 31 December 2022, the New Jewellery Retail segment recorded sales of approximately RMB280.5 million (2021: RMB364.0 million), representing a decrease of approximately 23.0% as compared to that of 2021, mainly due to the worsened economy conditions and resurgence of COVID-19 in various parts of PRC during multiple periods in the year, which resulted in temporary business suspensions and further weakened consumer sentiment in PRC.

Silver Exchange segment

For the year ended 31 December 2022, the Silver Exchange segment recorded sales of approximately RMB14.8 million (2021: RMB47.6 million), representing a significant decrease of approximately 68.9% over the last year. The decrease was mainly due to the resurgence of COVID-19 and the resulting stringent prevention and control measures implemented in various parts of the PRC during multiple periods in the year, and the relatively stable international silver price during the year which reduced commodity investors' eagerness and willingness to trade silver and resulted in a decrease in transaction volume.

Fresh Food Retail segment operated under CSMall Group

During the year, a new segment under CSMall Group, 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 software as a service ("**SaaS**") services along the agricultural supply chain in the PRC, recorded sales of approximately RMB1,509.8 million (2021: nil).

Cost of sales and services provided

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 and palladium at market prices at the time of purchase, other types of minerals or metals are generally not taken into account when determining purchase price; (ii) cost of sales in New Jewellery Retail segment operated under CSMall 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 in Fresh Food Retail segment operated under CSMall 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 increase in our overall cost of sales and services provided was due to the effect of the contribution of our new Fresh Food Retail segment operated under CSMall Group outweighed the decrease in our cost of sales in New Jewellery Retail segment due to the decrease in the sales volume in respective segments. Additionally, last year certain indirect production costs from the Manufacturing segment were reclassified as administrative expenses due to the suspension of production. Since the resumption of production in June 2022, the related costs have been recorded as cost of sales instead of administrative expenses, resulting in an overall increase in costs as compared to last year.

Gross profit and gross profit margin

The Group recorded gross profit of approximately RMB74.6 million (2021: RMB138.9 million) for the year ended 31 December 2022, a significant decrease of approximately 46.3% as compared to that of 2021. The overall gross profit margin of the Group decreased to approximately 2.3% for the year (2021: 6.0%), mainly due to the increase in sales from the new Fresh Food Retail segment which has a lower gross profit margin.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 38.1% from approximately RMB30.4 million for the year ended 31 December 2021 to approximately RMB42.0 million for the year ended 31 December 2022. The increase was mainly due to the contribution from the new Fresh Food Retail segment during the year.

Administrative expenses

Administrative expenses decreased by approximately 1.5% from approximately RMB101.9 million for the year ended 31 December 2021 to approximately RMB100.4 million for the year ended 31 December 2022. The decrease was mainly due to the implementation of various cost-cutting measures, and also because administrative expenses last year included reclassification of certain indirect production costs from the Manufacturing segment due to the suspension of production, where the related costs have been recorded as cost of sales instead of administrative expenses since the resumption of production in June 2022. These efforts resulted in a significant cost cut in administrative expenses notwithstanding that the effect was partly offset by the increase through contribution from the new Fresh Food Retail segment.

Write-off of inventories

Between 23 April and 20 May 2021, the Yongfeng Ecology and Environment Bureau issued the Notices to Jiangxi Longtianyong. Pursuant to the Notices, the Yongfeng Ecology and Environment Bureau inspected Jiangxi Longtianyong's premises and found that the production and storage facilities of Jiangxi Longtianyong had been in contravention of certain national environmental laws and has ordered Jiangxi Longtianyong to suspend its production activities from 26 April 2021 onwards pending completion of certain rectification measures. These rectification measures included (i) the disposal of certain hazardous waste stored in production workshops and warehouses; and (ii) the demolition of certain existing non-compliant facilities and construction of certain new compliant facilities according to the recommendations of the environmental specialist and with the approval of the competent governmental authorities. Further details are set out in the announcement published on 7 June 2021.

In regard to the rectification measure of disposal of hazardous waste stored in production workshops and warehouses, certain of Jiangxi Longtianyong's inventory of raw materials which had previously been refined for production purposes was deemed to be hazardous waste pursuant to the Notices and was ordered to be disposed of. Accordingly, a one-time write-off of inventories of approximately RMB2,408.5 million was recorded for the year ended 31 December 2021. There was no such amount for the year ended 31 December 2022.

Other gains and losses

Other gains and losses decreased to a net loss of approximately RMB9.5 million for the year ended 31 December 2022 from approximately a net loss of RMB11.1 million for the year ended 31 December 2021. Other gains and losses for the year mainly include loss on disposal of property, plant and equipment of approximately RMB6.2 million (2021: RMB12.0 million) and the exchange loss of approximately RMB3.3 million (2021: gain of RMB0.9 million). Last year's amounts included the loss on write-off and disposal of property, plant and equipment of approximately RMB10.6 million resulting from the Group's demolition of non-compliant facilities of Jiangxi Longtianyong in accordance with the competent governmental authorities' requirements amounting to approximately RMB7.6 million, and the Group's enhancement of production processes and replacement of dilapidated equipment amounting to approximately RMB3.0 million.

Other income

Other income increased to approximately RMB7.2 million for the year ended 31 December 2022 from approximately RMB6.3 million for the year end 31 December 2021. Other income mainly represents the government grants and bank interest income.

Income tax credit

The income tax credit for the year ended 31 December 2021 amounted to approximately RMB6,000 as compared to approximately RMB8.1 million for the year ended 31 December 2022. Such changes are mainly due to the decrease in deferred tax liabilities arising from the impairment of intangible assets of Silver Exchange segment.

Loss attributable to owners of the Company

For the year ended 31 December 2022, the loss attributable to owners of the Company amounted to approximately RMB120.8 million (2021: approximately RMB2,412.9 million). Such significant year-on-year decrease in loss is mainly attributable to the one-time write-off of inventories of approximately RMB2,408.5 million recorded in last year as a result of certain inventory of raw materials of Jiangxi Longtianyong being deemed to be hazardous waste and ordered to be disposed of and there is no such write-off of inventory in this year. Excluding the impact of the write-off, the Group would have recorded a loss attributable to owners of the Company of approximately RMB4.4 million for the year ended 31 December 2021. On this basis, the aforesaid loss attributable to owners of the Company of approximately RMB120.8 million for the year ended 31 December 2022 would represent a year-on-year increase in loss, which is mainly attributable to the following factors:

(i) in respect of the Group's Manufacturing segment, although Jiangxi Longtianyong's Silver Electrolysis Production Line and Palladium Sponge Production Line had successively been put into operation on a commercial scale since June 2022 and August 2022, the segment's gross profit margin for the year ended 31 December 2022 was lower than that for the year ended 31 December 2021, and more one-off expenses relating to environmental rectification were recorded in this year (not including the write-off of inventory);

(ii) in respect of the Group's New Jewellery Retail segment operated under the Company's non-wholly-owned subsidiary, CSMall Group, the overall sales, especially sales through its offline retail and service network for the year ended 31 December 2022 was lower than that for the year ended 31 December 2021 primarily due to the resurgence of COVID-19 in various parts of the PRC during multiple periods in 2022, which resulted in temporary business suspensions at times and further weakened consumer sentiment in the PRC;

(iii) in respect of the Group's Silver Exchange segment, the trading volume for the year ended 31 December 2022 decreased and hence the commission income was lower than that for the year ended 31 December 2021, primarily due to the resurgence of COVID-19 and the resulting prevention and control measures implemented in various parts of the PRC during multiple periods in 2022 as well as the relatively stable international silver price during 2022, both of which reduced commodity investors' eagerness and willingness to trade silver. Also, a non-recurring impairment loss on certain intangible assets was recognized in 2022 due to a re-estimation of the segment's expected future cash flows; and

(iv) in respect of the Group's Fresh Food Retail segment operated under CSMall Group, which began to be consolidated as a non-wholly-owned subsidiary of CSMall Group and of the Company on 10 January 2022, its "Nongmuren" S2B2C platform was still in an expansion stage (especially during the first half of 2022) with a focus on expanding the network of collaborative stores and hence had not started to generate a net profit during this year.

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. For the year ended 31 December 2022, inventory turnover days decreased to approximately 121.4 days (2021: 306.2 days). The decrease was mainly due to more purchases were contributed by the Fresh Food Retail segment which has a shorter turnover cycle.

The turnover days for trade receivables for the year ended 31 December 2022 were approximately 2.5 days (2021: 9.4 days). The decrease was mainly due to the more sales contributed by the Fresh Food Retail segment which generally has a shorter credit term with the customers.

The turnover days for trade payables for the year ended 31 December 2022 were approximately 3.8 days (2021: 13.8 days). The decrease was mainly because the payment terms offered by suppliers in the Fresh Food Retail segment is generally shorter.

Borrowings

As of 31 December 2022, the Group's bank borrowings balance amounted to approximately RMB406.4 million, of which approximately RMB223.4 million was carried at fixed interest rate and approximately RMB183.0 million was carried at floating interest rate (2021: RMB230.0 million, of which was carried at fixed rate). The amounts would be due for repayment within one year.

The Group's net gearing ratio was calculated on the basis of the bank borrowings less bank balances and cash as a percentage of total equity. As of 31 December 2022, the Group was in a net cash position with a net gearing ratio of approximately -14.5% (2021: -7.0%).

Capital expenditures

For the year ended 31 December 2022, the Group invested approximately RMB10.6 million in property, plant and equipment (2021: RMB28.7 million).

For the year ended 31 December 2022, the Group paid deposits and other direct costs of approximately RMB2.7 million in relation to the acquisition of property, plant and equipment (2021: RMB1.3 million).

Pledge of assets

As at 31 December 2022, assets with the following carrying amounts were pledged to secure general banking facilities.

	2022	2021
	RMB'000	*RMB'000*
– Property, plant and equipment	**61,205**	67,415
– Leasehold land (included in right-of-use assets)	**16,025**	16,326
– Pledged bank deposits	**166,900**	40,000
	244,130	123,741

Capital commitments

	2022	2021
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– Property, plant and equipment	**359**	9,099

Contingent liabilities

As at 31 December 2022 and 31 December 2021, the Group did not have any contingent liabilities.

Employees

As of 31 December 2022, the Group employed 389 staff members (2021: 289 staff members) and the total remuneration for the year ended 31 December 2022 amounted to approximately RMB44.9 million (2021: RMB43.8 million). The increase was mainly due to the contribution from the new Fresh Food Retail segment in the current year. The Group's remuneration packages are in line with the current laws in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

Liquidity and financial resources

The Group maintained a healthy liquidity position during the year. The Group was principally financed by internal resources and bank borrowings. The Group's principal financial instruments comprise bank balances and cash, restricted bank balances, trade and other receivables, trade and other payables and bank borrowings. As of 31 December 2022, bank balances and cash, net current assets and total assets less current liabilities were approximately RMB589.2 million (2021: RMB316.8 million), RMB1,060.4 million (2021: RMB980.3 million) and RMB1,272.9 million (2021: RMB1,261.4 million), respectively. As of 31 December 2022, the Group had bank borrowings amounting to approximately RMB406.4 million (2021: RMB230.0 million).

Dividend

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

Capital Structure

During the year, the Company issued a total of 325,680,117 shares upon completion of the subscriptions by three investors for new shares of the Company in the first half of 2022 (the "**Subscriptions**") on 7 April 2022. As disclosed in the Company's announcements dated 23 February 2022, 29 March 2022 and 7 April 2022, three independent subscribers, subscribed for a total of 325,680,117 new shares of HK$0.01 each at a subscription price of HK$0.59 per subscription share. As at 31 December 2022, the Company had 1,954,080,706 shares in issue and a paid-up capital of approximately HK$19,540,807 or approximately RMB15,934,925.

Significant Investment Held, Material Acquisition and Disposal

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

On 31 December 2021, Shenzhen Guojintongbao Company Limited* (深圳國金通寶有限公司) ("**Shenzhen Guojintongbao**", a wholly-owned subsidiary of CSMall Group and a non-wholly-owned subsidiary of the Group), Bric Suzhou (as an existing shareholder of the Target Company), Suzhou Nonggou Daohe (as an existing shareholder of the Target Company), Mr. Sun Tong (as the actual controller of Bric Suzhou and Suzhou Nonggou Daohe) and the Target Company entered into an investment agreement (the "**Investment Agreement**"), pursuant to which Shenzhen Guojintongbao shall obtain 51% effective ownership in the Target Company in consideration for the capital injection of RMB26,000,000 payable in cash to the Target Company in two installments of which the first installment of RMB6,000,000 shall be paid on or before 10 January 2022 and the second installment of RMB20,000,000 shall be paid on or before 31 May 2022.

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

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

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

Save as disclosed above, the Group did not hold any significant investment nor 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 for the year ended 31 December 2022.

Use of Proceeds from the Subscriptions

The net proceeds received from the Subscriptions amounted to approximately RMB155,108,000 after deducting all expenses payable by the Company in connection with the Subscriptions. The net proceeds have been used in a manner consistent with that mentioned on pages 6 and 7 of the announcement of the Company dated 23 February 2022.

The net proceeds received from the Subscriptions had been used as follows for the year ended 31 December 2022:

	Net proceeds received from the Subscriptions	**Amount used between 7 April 2022 and 31 December 2022**	**Unused amount as at 31 December 2022**
	RMB'000	*RMB'000*	*RMB'000*
Rectification works on the production and other facilities	21,740	(21,740)	–
Procurement of raw materials	72,346	(72,346)	–
Repayment of certain bank borrowings	30,000	(30,000)	–
General working capital	31,022	(31,022)	–
Total	155,108	(155,108)	–

Significant Event after the Reporting Period

There is no material subsequent event after the reporting period.

OTHERS

Closure of Register of Members

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

Code of Corporate Governance Practice

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. As at the date of this announcement, the Board comprises 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 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). During the year ended 31 December 2022, the Company has complied with the code provisions under the CG Code, except for code provision C.2.1:

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 have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2022.

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

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

Audit Committee

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

Scope of Work of Linksfield CPA Limited

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

Extract of the Independent Auditor's Report

The following (in *italics*) is extracted from the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2022 in respect of the current year's figures and the corresponding figures for the year ended 31 December 2021.

In the following extract, references to "Note 2.1 to the consolidated financial statements" correspond to the section headed "Notes to the Consolidated Financial Statements – 2. Summary of Significant Accounting Policies – 2.1 Basis of preparation" in this announcement.

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

We were appointed as the auditor of the Company in respect of the Group's consolidated financial statements for the year ended 31 December 2022 on 19 January 2023.

Comparability of the current year's figures and the corresponding figures for the year ended 31 December 2021 in the consolidated income statement and the consolidated statement of changes in equity

*As described in Note 24 to the consolidated financial statements of the Group for the year ended 31 December 2021, certain raw materials of Jiangxi Longtianyong Nonferrous Metals Co. Ltd. ("**Jiangxi Longtianyong**") with an amount of RMB2,408,511,000 which was previously being refined for production purposes was deemed to be hazardous waste pursuant to the two administrative penalty notices and a rectification notices issued by the Ji'an City Yongfeng Ecology and Environment Bureau（吉安市永豐生態環境局）and ordered to be disposed of during the year ended 31 December 2021. As a result, write-off of inventories amounting to RMB2,408,511,000 had been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.*

As set out in predecessor auditor's report dated 13 May 2022 on the consolidated financial statements of the Group for the year ended 31 December 2021, the predecessor auditor did not observe the counting of physical inventories in the process of disposing of the relevant inventories and were unable to satisfy themselves by alternative means concerning the inventory condition and inventory quality being disposed of on relevant disposal dates. The predecessor auditor did not express an opinion on the consolidated financial statements of the Group because of the scope limitation on inability to obtain sufficient appropriate audit evidence concerning the inventory write-off on the disposal dates and any adjustments that might have been found necessary might have significant consequential effect on the Group's financial performance and cash flows for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2021 in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and the related notes disclosures, our audit opinion on the consolidated financial statements of the Group for the ended 31 December 2022 is therefore modified.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw your attention to Note 2.1 to the consolidated financial statements, which states that the Group incurred a net loss of RMB144,836,000 for the year ended 31 December 2022. These matters, along with other matters as described in Note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. This matter did not contribute to our issuance of the disclaimer of opinion.

Acknowledgement

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

Publication of Results Announcement and Annual Report

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

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

Hong Kong, 28 March 2023

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

* *For identification purpose only*