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**CSmall Group Limited**  
**金貓銀貓集團有限公司**

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

**(Stock Code: 1815)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**HIGHLIGHTS OF 2020 ANNUAL RESULTS**

- Affected by the temporary suspension of business and weak consumer sentiment in the PRC resulting from the outbreak of COVID-19, revenue for 2020 decreased to approximately RMB347.8 million, representing a significant decrease of approximately RMB901.2 million or 72.2% as compared to that for 2019.
- Net loss for 2020 was approximately RMB35.6 million, representing a further widening as compared to a net loss of approximately RMB5.1 million for 2019. If one-off items for both years were excluded (i.e. for illustration purposes only, excluding the one-off net loss on termination of assignment contract in relation to acquisition of a land use right of approximately RMB27.4 million and one-off write off of COVID-19 diagnostic kits of approximately RMB12.5 million for 2020, and excluding the one-off and non-cash share-based payment expenses of approximately RMB83.0 million for 2019), the Group would still have recorded a net profit of approximately RMB4.3 million for 2020, as compared to a net profit of approximately RMB77.9 million for 2019, representing a significant decrease of approximately RMB73.6 million or 94.5%.
- Benefiting from the remarkable results of the Group's proactive strategic adjustment and optimisation of product mix, the overall gross profit margin for the year significantly increased to approximately 25.4% (2019: 17.6%).

The board of directors (individually, a “**Director**”, or collectively, the “**Board**”) of CSMall Group Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**” or “**we**”) for the year ended 31 December 2020 (or the “**current year**” or “**during the year**”), together with the comparative figures for the year ended 31 December 2019.

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

*FOR THE YEAR ENDED 31 DECEMBER 2020*

		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Revenue</b>	<i>3</i>	<b>347,768</b>	1,248,988
Cost of sales		<u><b>(259,490)</b></u>	<u>(1,029,314)</u>
<b>Gross profit</b>		<b>88,278</b>	219,674
Other income		<b>5,827</b>	10,720
Other gains and losses	<i>4</i>	<b>(11,527)</b>	(1,423)
Selling and distribution expenses		<b>(27,400)</b>	(54,606)
Administrative expenses		<b>(45,698)</b>	(136,291)
Other expenses		<b>(109)</b>	(15)
Impairment loss under expected credit loss model, net of reversal	<i>11</i>	<b>(11,147)</b>	(7,432)
Net loss on termination of assignment contract in relation to acquisition of a land use right	<i>9(i)</i>	<b>(27,441)</b>	–
Finance costs		<u><b>(1,613)</b></u>	<u>(447)</u>
<b>(Loss) profit before tax</b>		<b>(30,830)</b>	30,180
Income tax expense	<i>5</i>	<u><b>(4,773)</b></u>	<u>(35,263)</u>
<b>Loss and total comprehensive expense for the year, attributable to the owners of the Company</b>	<i>6</i>	<u><b>(35,603)</b></u>	<u>(5,083)</u>
		<b><i>RMB</i></b>	<b><i>RMB</i></b>
Loss per share	<i>8</i>		
Basic		<u><b>(0.029)</b></u>	<u>(0.005)</u>
Diluted		<u><b>N/A</b></u>	<u><b>N/A</b></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

		2020	2019
	Notes	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		8,779	11,228
Right-of-use assets		9,945	8,775
Intangible assets		–	281
Deferred tax assets		9,152	4,058
Refundable rental deposit		798	–
Deposits paid on acquisition of non-current assets	9	1,268	258,795
		<u>29,942</u>	<u>283,137</u>
<b>CURRENT ASSETS</b>			
Inventories		652,561	451,074
Trade and other receivables	10	231,409	455,842
Amount due from immediate holding company		12,542	12,779
Amount due from a fellow subsidiary		–	262
Bank balances and cash		652,828	393,287
		<u>1,549,340</u>	<u>1,313,244</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	136,203	101,771
Trade loans	13	10,000	19,428
Lease liabilities – current portion		6,572	5,340
Contract liabilities		6,159	10,080
Amounts due to fellow subsidiaries		3,938	2,634
Amounts due to related companies		9,010	9,010
Income tax payable		6,867	12,004
		<u>178,749</u>	<u>160,267</u>

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>NET CURRENT ASSETS</b>	<u>1,370,591</u>	<u>1,152,977</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u><u>1,400,533</u></u>	<u><u>1,436,114</u></u>
<b>CAPITAL AND RESERVES</b>		
Share capital	842	842
Share premium and reserves	<u>1,396,176</u>	<u>1,431,779</u>
<b>TOTAL EQUITY</b>	<u>1,397,018</u>	<u>1,432,621</u>
<b>NON-CURRENT LIABILITY</b>		
Lease liabilities – non-current portion	<u>3,515</u>	<u>3,493</u>
<b>TOTAL EQUITY AND NON-CURRENT LIABILITY</b>	<u><u>1,400,533</u></u>	<u><u>1,436,114</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2020

### 1. GENERAL INFORMATION

CSMall Group Limited was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 19 January 2017. The addresses of the registered office is Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands and principal place of business of the Company is Room 1415, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 March 2018.

The Company is an investment holding company. The Group operates the business of design and sale of gold, silver and jewellery products in the People's Republic of China (the "**PRC**").

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

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

### 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("**IFRSs**")

#### *Amendments to IFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 "COVID-19-Related Rent Concessions".

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the other amendments to IFRSs in the current year 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.

### ***Amendment to IFRS 16 “COVID-19-Related Rent Concessions”***

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 “Leases” if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of RMB301,000, which has been recognised as variable lease payments in profit or loss during the year ended 31 December 2020.

***New 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 the related Amendments <sup>1</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to IFRS 10 and IAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

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

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. REVENUE AND SEGMENT INFORMATION

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>By products</b>		
Sales of gold products, except for first-hand gold bars	78,708	639,477
Sales of silver products	265,946	490,832
Sales of gem-set and other jewellery products	3,114	115,631
Sales of first-hand gold bars	—	3,048
<b>Total</b>	<b>347,768</b>	<b>1,248,988</b>
<b>By geographical market</b>		
The PRC	347,768	1,248,988
<b>By sales channels</b>		
<i>Online sales channels</i>		
Self-operated online platform (Note i)	64,618	476,961
Third-party online sales channels (Note ii)	203,231	325,273
	267,849	802,234
<i>Offline sales and service network</i>		
CSmall Shops (Note iii)	50,013	269,000
Shenzhen Exhibition Hall (Note iv)	28,117	175,609
Third-party offline points of sale	1,789	2,145
	79,919	446,754
<b>Total</b>	<b>347,768</b>	<b>1,248,988</b>



*Notes:*

- i. Through the Group's self-operated online platform, sales orders are received from customers online and delivery is initiated and arranged by the platform.
- ii. Through various third-party online sales channels, including television and video shopping channels, e-commerce platform and instant messenger, sales orders are received from customers online and delivery is initiated and arranged by the channels.
- iii. It represents physical shops selling jewellery products, including self-operated CSmall Shops and franchised CSmall Shops.
- iv. It represents jewellery products exhibition hall located in Shuibei, Shenzhen.

All of the revenue are recognised at a point in time during the years ended 31 December 2020 and 2019.

**(ii) Segment information**

The Group only has one operating and reportable segment. Management determines the operating segment based on the information reported to the Group's chief operating decision makers ("CODMs") (i.e. the executive directors of the Company). The CODMs assess the operating performance and allocate the resources of the Group as a whole as the Group is primarily engaged in the business of design and sale of gold, silver, gem-set and other jewellery products in the PRC. Accordingly, there is only one operating and reportable segment.

No analysis of segment assets and liabilities is presented because the CODMs do not base on such analysis for resource allocation and performance assessment.

**(iii) Geographical information**

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

	Revenue from external customers		Non-current assets	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	<b>347,768</b>	1,248,988	<b>19,291</b>	276,846
Hong Kong	<u>—</u>	<u>—</u>	<u><b>701</b></u>	<u>2,233</u>
	<b><u>347,768</u></b>	<b><u>1,248,988</u></b>	<b><u>19,992</u></b>	<b><u>279,079</u></b>

*Note:* Non-current assets excluded refundable rental deposit and deferred tax assets.

**(iv) Information about major customers**

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A <sup>1</sup>	60,569	N/A <sup>2</sup>
Customer B <sup>1</sup>	<u>36,763</u>	<u>N/A<sup>2</sup></u>

<sup>1</sup> Revenue from online sales channels, television and video shopping channels.

<sup>2</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

#### 4. OTHER GAINS AND LOSSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
COVID-19 diagnostic kit trading income ( <i>Note i</i> )	2,667	–
COVID-19 diagnostic kit trading expenses ( <i>Note i</i> )	(3,638)	–
One-off write-off of COVID-19 diagnostic kits ( <i>Note i</i> )	(12,539)	–
Net exchange gain (loss)	1,228	(1,389)
Gain on disposal of a subsidiary ( <i>Note ii</i> )	755	–
Others	–	(34)
	<u>(11,527)</u>	<u>(1,423)</u>

##### *Notes:*

- i. During the year ended 31 December 2020, the Group has commenced a pilot expansion into a new business of COVID-19 diagnostic kit distribution in collaboration with a pharmaceutical company in the PRC. The Group has entered into a sale and purchase agreement with the pharmaceutical company to purchase COVID-19 diagnostic kits in the PRC and export to overseas. However, due to various factors including the turbulent international situation, the export of the diagnostic kit was blocked and the products were scrapped upon expiry. The Group recognised trading income of RMB2,667,000, trading expenses of RMB3,638,000 and one-off write-off of inventories of RMB12,539,000 during the year ended 31 December 2020. The Group ceased the expansion plan to the new business of COVID-19 diagnostic kit distribution.
- ii. The amount represented gain on disposal of an indirect wholly-owned subsidiary, Shenzhen Yunpeng Software Development Company Limited (深圳雲鵬軟件開發有限公司) (“**Shenzhen Yunpeng**”) previously held by the Group. Shenzhen Yunpeng was disposed on 28 December 2020 at a cash consideration of RMB3,100,000 and did not have significant contribution to the results and cash flows of the Group during the current year nor did it have significant assets and liabilities as at the date of disposal.

## 5. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
PRC Enterprise Income Tax (“EIT”)		
– current year	15,776	37,613
– (over) underprovision in respect of prior years	<u>(5,909)</u>	<u>568</u>
	9,867	38,181
Deferred taxation – current year	<u>(5,094)</u>	<u>(2,918)</u>
	<u><b>4,773</b></u>	<u><b>35,263</b></u>

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

Under the Law of the PRC on EIT (the “EIT Law”) and its related implementation regulations, the Group’s PRC subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both years except for Shenzhen Yunpeng, a former subsidiary of the Group, was disposed of on 28 December 2020 and it was recognised as a Software Enterprise by the PRC tax authorities and it is entitled to an exemption of PRC EIT for the first two consecutive years beginning from 2016 and a 50% reduction for the following three consecutive years. For the years ended 31 December 2020 and 2019, Shenzhen Yunpeng, the former subsidiary of the Group, was subject to PRC EIT at a rate of 12.5%.

## 6. LOSS FOR THE YEAR

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss for the year has been arrived at after charging:		
Directors’ emoluments	3,021	3,905
Other staff costs:		
– salaries and other allowances	19,375	33,075
– retirement benefit scheme contributions	1,519	3,925
– share-based payments	<u>–</u>	<u>83,008</u>
Total staff costs	<u><b>23,915</b></u>	<u><b>123,913</b></u>
Auditor’s remuneration	1,115	2,047
Amortisation of intangible assets	281	2,182
Depreciation of property, plant and equipment	3,875	4,228
Depreciation of right-of-use assets	8,091	7,601
Cost of inventories recognised as expenses (included in cost of sales)	<b>259,490</b>	1,029,314
Expenses on short-term leases in respect of retail shops	<u><b>343</b></u>	<u><b>2,863</b></u>

## 7. 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.

## 8. LOSS PER SHARE

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

	2020	2019
Loss for the year for the purpose of basic loss per share ( <i>RMB'000</i> )	(35,603)	(5,083)
Weighted average number of ordinary shares for the purpose of basic loss per share (in thousand)	<u>1,237,875</u>	<u>1,116,195</u>

No diluted loss per share is presented for the years ended 31 December 2020 and 2019 as there were no potential ordinary shares in issue for both 2020 and 2019.

## 9. DEPOSITS PAID ON ACQUISITION OF NON-CURRENT ASSETS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Deposits paid on acquisition of a land use right ( <i>Note i</i> )	–	248,938
Deposits paid on acquisition of intangible assets ( <i>Note ii</i> )	–	8,094
Deposits paid on acquisition of property, plant and equipment ( <i>Note iii</i> )	<u>1,268</u>	<u>1,763</u>
	<u>1,268</u>	<u>258,795</u>

*Notes:*

- i. 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.

During the year ended 31 December 2019, Huizhou Baiyin paid an additional deposit of RMB100,000,000 and other direct costs of RMB10,892,000 in relation to the Acquisition. As at 31 December 2019, the Group has already paid deposits with an aggregate amount of RMB248,938,000 on the Acquisition.

On 29 and 30 June 2020, Huzhou Baiyin entered into a termination agreement (the “**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.

Up to 31 December 2020, the Group had already paid an aggregate amount of RMB232,500,000 of deposits and other direct costs of RMB26,713,000 in relation to the Acquisition. An amount of RMB245,600,000 arising from the Compensation Sum was received by the Group during the year ended 31 December 2020 and the remaining RMB25,275,000 of the Compensation Sum was recorded and included in other receivables (Note 10) at 31 December 2020, which has been fully received subsequent to the end of the reporting period. As at 31 December 2020, however, certain pre-construction costs had been incurred before the termination of the Acquisition remained payables to the Group and provision had been made of RMB39,103,000 (Note 12). As a result of the termination of the Contract, there was a net loss of RMB27,441,000 recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2020.

- ii. During the year ended 31 December 2019, the Group paid deposits of RMB8,094,000 for the Group’s online platform and system enhancement. The acquisitions were completed and respective deposits paid were transferred to intangible assets during the year ended 31 December 2020. On 28 December 2020, the Group has disposed of the intangible assets through the disposal of Shenzhen Yunpeng, a former subsidiary of the Group as disclosed in Note 4(ii).
- iii. The amount represents deposits paid by the Group in relation with the acquisition of plant and equipment.

# 10. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables from contracts with customers ( <i>Note i</i> )	100,461	350,607
Less: allowance for credit losses	(20,585)	(9,438)
	79,876	341,169
Deposits and prepayments	16,965	16,733
Prepayments to suppliers ( <i>Note ii</i> )	61,502	74,957
Amount due from a former subsidiary, Shenzhen Yunpeng ( <i>Note iii</i> )	19,499	–
Value-added tax recoverable	28,292	22,983
Other receivable arising from termination of assignment contract of a land use right from the PRC government ( <i>Note 9(i)</i> )	25,275	–
	231,409	455,842

## Notes:

- The Group has pledged trade receivables with a carrying value of RMB75,000,000 at 31 December 2020 (2019: RMB75,000,000) to secure trade loans of the Group.
- Included in the balance is prepayments paid to a fellow subsidiary with a carrying amount of RMB31,687,000 as at 31 December 2020 (2019: RMB74,957,000).
- Amount due from a former subsidiary, Shenzhen Yunpeng, has been fully received after the end of reporting period.

As at 1 January 2019, trade receivables from contracts with customers amounted to RMB216,888,000, net of allowance for credit losses of RMB2,006,000.

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

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

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 30 days	<b>27,425</b>	169,388
31 – 60 days	<b>42,972</b>	43,469
61 – 90 days	<b>1,350</b>	2,507
Over 90 days	<b>8,129</b>	125,805
	<b><u>79,876</u></b>	<u>341,169</u>

As at 31 December 2020, included in the Group's trade receivables, net of allowance of credit losses were debtors with aggregate carrying amount of RMB46,679,000 (2019: RMB216,182,000) which were past due as at the reporting date. Out of the past due balances, RMB8,003,000 (2019: RMB94,473,000) 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.

#### **11. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL**

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Impairment loss recognised in respect of trade receivables, net of reversal	<b><u>11,147</u></b>	<u>7,432</u>



## 12. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	58,069	64,083
Other payables and accrued expenses	21,512	29,096
Customer receipts in advance	1,864	5,969
Value-added tax and other tax payables	15,655	2,623
Provision for termination of assignment contracts (Note below and Note 9(i))	39,103	—
	<b>136,203</b>	<b>101,771</b>

*Note:* Included in the balance is an amount of RMB20,650,000 (2019: nil) payable to Zhejiang Jifeng Geotechnical Technology Co., Ltd. (浙江績豐岩土技術有限公司) (“**Zhejiang Jifeng Geotechnical**”) which represents pre-construction costs incurred in relation to the land use right as detailed in Note 9(i) and remained outstanding at the end of the reporting period. During the year ended 31 December 2020, total pre-construction costs incurred to Zhejiang Jifeng Geotechnical amounted to RMB37,514,000 (2019: nil). Mr. Chen Wantian, a director of China Silver Group is also a director (out of the twelve directors) of Zhejiang Jifeng Geotechnical and holds 5.44% equity interest therein.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0 – 30 days	32,172	34,450
31 – 60 days	8,658	—
61 – 90 days	—	—
Over 90 days	17,239	29,633
	<b>58,069</b>	<b>64,083</b>

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

### 13. TRADE LOANS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade loans	<u>10,000</u>	<u>19,428</u>

On 11 December 2019, 深圳國銀通寶有限公司 (“**Shenzhen Guoyintongbao**”), a subsidiary of the Group, entered into a reverse factoring agreement with a bank in the PRC, pursuant to which the bank agreed to grant revolving trade loan credit limit of not more than RMB20 million to Shenzhen Guoyintongbao in respect of the Group’s payment obligations under the contracts to certain suppliers. Under the reverse factoring arrangement, the bank in the PRC would settle the suppliers at a date earlier than Shenzhen Guoyintongbao settle with the bank, and Shenzhen Guoyintongbao would have a longer credit period.

The trade loans as at 31 December 2020 carry interest at a fixed rate of 5.66% (2019: 5.66%) per annum, which is also the effective interest rate during the year ended 31 December 2020. The amounts would be due for repayment within one year from the end of the reporting period.

In addition, the trade loans were secured by personal guarantees executed by Mr. Chen Wantian (a director of China Silver Group) and Mr. Chen He (a director of the Company) and their respective spouses.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the year, as the outbreak of the 2019 novel coronavirus pneumonia (“**COVID-19**”) caused the overall economic downturn and dampened the overall consumer sentiment which became was sluggish and conservative. During the pandemic, consumer spending was mainly on fresh food, daily necessities and protective equipment, while the consumption of gold and jewellery, which are non-essential products for daily life, was greatly affected and showed a cliff-like decline as compared with the previous years. The epidemic prevention and control measures caused the stagnation or delay of major operating activities including retail business, store sales, market development and supply chains. Meanwhile, the significant drop in market demand for jewellery under the influence of the macro-environment of intensified Sino-US trade disputes has led to a decline in the Group’s sales through online sales channels and offline retail and service network. Amidst such adverse environment, the Group endeavoured to overcome the impact of the epidemic and proactively responded to risks and challenges. After excluding all one-off losses, we were still able to remain slightly profitable, demonstrating our strong resilience to risks.

In light of severe challenges, the Group tried its best to implement a number of short-term countermeasures, including slowing down the plan on expansion of offline stores, adjusting the strategy of offline business outlets, closing 62 stores, and carefully choosing sites for opening another 39 new stores. The acquisition of a land use right for Baiyin Town, originally planned to be developed into a tourist attraction in Huzhou, was also terminated due to the impact of COVID-19.

In respect of daily operations, the Group has also cut down its operating expenses and reduced staff to improve efficiency, and if the one-off and non-cash share-based payment expenses of approximately RMB63.6 million for the year ended 31 December 2019 was excluded, the recurring administrative expenses for the year would have decreased by approximately 28.1% as compared with 2019.

In recent years, the Group explored and considered suitable business opportunities inside and outside the jewellery industry from time to time, so that the Group could leverage its competitive advantages in the internet-based new retail field to diversify its businesses. At the beginning of 2020, as China's production capacity of anti-epidemic supplies gradually rose and the export of anti-epidemic supplies became a new trend, many enterprises flexibly utilized market resources to participate in overseas epidemic control. At the beginning of the year, the Group cooperated with a pharmaceutical company in China for the pilot operation of the export and distribution of COVID-19 diagnostic kits. Later, due to various factors including the turbulent international situation, the export of the diagnostic kits was blocked and the products were scrapped upon expiry.

The Group responded quickly to the significant impact of the epidemic on offline consumption. In 2020, we focused on increasing efforts on online sales. The proportion of online sales among the overall sales has increased significantly to approximately 77.0% from approximately 64.2% in 2019. As the epidemic promoted the rapid development of e-commerce live streaming, the Group placed an emphasis on digital marketing and shifted the focus of its operations from self-operated platforms to third-party platforms. Relying on the strong traffic of third-party platforms, the Group operated through new marketing models including short video marketing, e-commerce live streaming and online celebrities (KOL).

With the rapid development of short videos and e-commerce live streaming and the continuously rising spending power of young consumers, the Group's fashion ear accessory brand, SISI, was also actively tapping into this young consumer market. In the year, the Group focused on the low-price and high-margin fashion jewellery markets with increased efforts in product design and research to keep pace with the evolving market and satisfy the demand of young consumer groups for affordable jewellery products. With the rise of Chinese traditional arts and culture, the cultural and creative industries are gradually developing into a new economic sector with enormous potential in China, with related products springing up like mushrooms and well-received by consumers. Our silver products are carefully processed using traditional craftsmanship to become fashionable silver jewellery and healthy silverware that meets contemporary aesthetics. We also increased our investment in design and research to expand our presence in the market.

## ***Online Sales Channels***

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

The Group's past implementation of the established strategy of attracting user traffic through promotion of low-margin gold bars has achieved significant expected results. As of 31 December 2020, the number of registered members on our self-operated online jewellery platform, which consists of [www.csmall.com](http://www.csmall.com), [m.csmall.com](http://m.csmall.com) and the mobile app of “金貓銀貓CSmall”, surpassed approximately 9.9 million. The platform has been upgraded to a membership-based platform. The focus of the platform was adjusted from the original vigorous solicitation of new members to the stimulation and enhancement of benefits for existing members, which generated remarkable results. In 2020, the repeat purchase rate of members was approximately 8.1%, representing an increase of approximately 26.6% as compared with 2019.

### ***(ii) Television and video shopping channels***

As of 31 December 2020, we cooperated with a total of 17 television and video shopping channels in the PRC to promote and sell our jewellery products and become a core supplier of 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 promotion and online celebrity (KOL) promotion are a standard part of our brand marketing. Their content becomes the core of every aspect of our brand marketing, sales and operation.

### ***(iii) Third-party online marketplaces***

During the year ended 31 December 2020, we cooperated with third-party online platforms such as Tmall (天貓), JD.com (京東), Suning (蘇寧), WeChat (微信) and Xiaohongshu (小紅書), etc. During the year, the Group enhanced its online sales through new marketing models including short video marketing, e-commerce live streaming and KOL, relying on the strong traffic of third-party platforms.

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

### ***(i) CSmall Shops***

We offer intimate on-the-ground sales and services to our customers, including jewellery fitting and maintenance services, which we believe are indispensable to the jewellery shopping experience, at our CSmall Shops. In 2020, due to the impact of COVID-19 on offline retail sales, we slowed down our offline store expansion plan, adjusted the layout of offline business outlets, and closed 62 stores and opened 39 new stores. As of 31 December 2020, we had 98 CSmall Shops located in 25 provinces and municipalities in the PRC, consisting of 4 self-operated CSmall Shops and 94 franchised CSmall Shops with presence in Anhui, Beijing, Chongqing, Fujian, Gansu, Guangdong, Hainan, Hebei, Heilongjiang, Henan, Hubei, Inner Mongolia, Jiangsu, Jilin, Liaoning, Ningxia, Shaanxi, Shandong, Shanghai, Shanxi, Sichuan, Tianjin, Xinjiang, Yunnan and Zhejiang.

### ***(ii) Shenzhen Exhibition Hall***

We sell products at our Shenzhen Exhibition Hall with a gross floor area of approximately 1,500 square meters in Shuibei, Shenzhen, which is generally believed to be home to the PRC's largest and leading jewellery trading and wholesale market. Our 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 our 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. We also cooperate with branded retailers, entertainment service providers, commercial banks, telecommunications service providers and insurance companies.

## ***New Retailing Model***

We integrated our online and offline jewellery sales channels and developed a new jewellery retailing model to offer multi-dimensional one-stop shopping experience to customers under our business philosophy of “turning jewellery into accessory, blending silverware into daily life, injecting artistic creativity into products, and intelligentizing service”.

### *(i) Turning jewellery into accessory*

With the rise of young customers and the heightening of spending level, jewellery is becoming more fashionable and personalized. We will continue to embrace the product philosophy of affordable luxury and fast fashion, and regularly roll out a wide selection of affordable jewellery products with diversified and fashionable designs to keep pace with the evolving market trend and the growing demand for affordable jewellery products in the PRC.

### *(ii) Blending silverware into daily life*

Practical silver products such as tableware, tea sets and wineware have become another mainstream development trend in the precious metal gift market. We have strengthened the design and research and development of silver gift products to produce more refined and practical silverwares with the aim of truly integrating precious metal gifts into people’s daily lives.

### *(iii) Injecting artistic creativity into products*

As the cultural and creative industries are gradually developing into a new economic category with great potential in the PRC, related products are springing up like mushrooms. We have recruited more outstanding designers and maintained cooperation with design associations to explore cultural resources in order to create more products with cultural heritage and artistic elements.

### *(iv) Intelligentizing service*

Our powerful technology research and development team has created a “smart marketing decision support system” for jewellery industry. Through collecting and analysing data from both online platforms and offline stores, such system provides valuable information on customers behaviour and preferences, thereby allowing retailers to gain an insight into operational and business strategies. Big data analysis not only allows us to understand customer behaviors and preferences, but also equips us with insight into our operations and business strategies, helping to provide consumers with enhanced shopping experience and better products.

## Prospects

China has entered a period of normalized epidemic prevention and control, and various industries are slowly recovering and self-adjusting. The epidemic in 2020 has had a negative impact on the gold and silver jewellery industry in the short term, but may also bring more opportunities to innovative enterprises like us in the medium and long term. While getting out of the current predicament, we have also prepared ourselves well for future market changes. The Group will seize the trend and accelerate investment in new marketing modes such as short videos and e-commerce live streaming. To seize the opportunities brought by the reshuffle of the traditional jewellery industry, while expanding the offline retail network in the future, the Group will also give full play to the strengths of the innovative model of new jewellery retail.

Looking forward to 2021, the government work report of the National People's Congress and the Chinese Political Consultative Conference stated that the main expected goal of China's economic and social development in 2021 is to increase the GDP by more than 6%. The Group is confident in the economic recovery this year. With the gradual recovery of the economy, China's gold, silver and jewellery consumption will gradually pick up. With the advantages of new retail models and comprehensive online and offline channels, the operating performance of CSMall will follow the high-quality development of Chinese economy.

The business opportunities arising from the internet traffic may gradually disappear after the epidemic, and the golden age of the development of the mobile internet dominated by the consumer internet has also passed. Correspondingly, the industrial internet represented by new technologies including artificial intelligence and blockchain is gradually rising. The Group has always paid attention to the development of new technologies and industries and closely followed the development to make corresponding planning. We have taken advantage of its strengths as a leader among internet-based new retail enterprises to build well-developed technologies, systems and capabilities in digitization, big data, artificial intelligence and supply chain. We utilised new technologies such as artificial intelligence and blockchain to empower the traditional jewellery industry for development towards a technological innovation platform supported by new technologies including artificial intelligence, big data and blockchain, to continuously improve the Company's sustainable profitability and bring huge returns to its shareholders.



## Financial Review

### Revenue

The revenue of the Group for the year ended 31 December 2020 was approximately RMB347.8 million (2019: RMB1,249.0 million), representing a significant decrease of approximately 72.2% from that of 2019, mainly due to the outbreak of the COVID-19 which resulted in overall economic downturn and low consumption, and the epidemic prevention and control measures which caused the stagnation or delay of major operating activities including retail business, store sales, market development and supply chains. Also, epidemic affected the jewellery retail atmosphere, and the demand for jewellery declined significantly, leading to a decline in the sales volume of the Group through both its online sales channels and its offline retail and service network.

	2020		2019	
	Revenue <i>RMB'000</i>	% of revenue	Revenue <i>RMB'000</i>	% of revenue
<b>Online Sales Channels</b>				
Self-operated online platform	64,618	18.6%	476,961	38.2%
Third-party online sales channels	203,231	58.4%	325,273	26.0%
	<u>267,849</u>	<u>77.0%</u>	<u>802,234</u>	<u>64.2%</u>
<b>Offline Sales and Service Network</b>				
CSmall Shops	50,013	14.4%	269,000	21.5%
Shenzhen Exhibition Hall	28,117	8.1%	175,609	14.1%
Third-party offline points of sale	1,789	0.5%	2,145	0.2%
	<u>79,919</u>	<u>23.0%</u>	<u>446,754</u>	<u>35.8%</u>
Total	<u><u>347,768</u></u>	<u><u>100.0%</u></u>	<u><u>1,248,988</u></u>	<u><u>100.0%</u></u>

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

During the year, the online sales channels recorded sales of approximately RMB267.8 million (2019: RMB802.2 million), representing a decrease of approximately 66.6%, mainly due to the weak consumer sentiment in the PRC and the slowdown in the PRC's economic growth resulting from the outbreak of the COVID-19.

### ***Offline Sales and Service Network***

During the year, we closed 62 stores and opened 39 new stores, and the offline sales and service network recorded sales of approximately RMB79.9 million (2019: RMB446.8 million), representing a decrease of approximately 82.1%, mainly due to a sharp decrease in demand under the traditional offline shopping model as people's desire to go out for shopping was affected by the COVID-19 outbreak. The slowdown in the PRC's economic growth also have had a negative impact on the PRC retail market.

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

Cost of sales decreased from approximately RMB1,029.3 million for the year ended 31 December 2019 to approximately RMB259.5 million for the year ended 31 December 2020, representing a decrease of approximately 74.8%, mainly due to the decrease in our overall revenue during the year.

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

We recorded gross profit of approximately RMB88.3 million (2019: RMB219.7 million) for the year ended 31 December 2020, a decrease of approximately 59.8% as compared to that of 2019, which was mainly attributable to the decrease in overall revenue as a result of the impact of the epidemic on the jewellery retail atmosphere during the year. The overall gross profit margin increased from approximately 17.6% to approximately 25.4%, primarily attributable to the continuous optimisation of our product mix to focus on the sale of a more diverse product offering and the promotion of high-margin silver and jewellery products.

### ***Other Gains and Losses***

Other gains and losses increased to approximately RMB11.5 million for the year ended 31 December 2020 from approximately RMB1.4 million for the year ended 31 December 2019, mainly because of the combined effects of the trading expenses of approximately RMB3.6 million and one-off net loss of approximately RMB12.5 million on inventory write-off upon expiry in relation to the pilot expansion into a new business of COVID-19 diagnostic kit distribution in collaboration with a pharmaceutical company in the PRC recorded during the year, which offset the trading income in relation to such pilot expansion of approximately RMB2.7 million and the net exchange gain of approximately RMB1.2 million (2019: net exchange loss of approximately RMB1.4 million) recorded during the year.

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

Selling and distribution expenses decreased significantly by approximately 49.8% from approximately RMB54.6 million for the year ended 31 December 2019 to approximately RMB27.4 million for the year ended 31 December 2020. However, if the one-off and non-cash share-based payment expenses of approximately RMB19.4 million for the year ended 31 December 2019 (please refer to the section headed “MANAGEMENT DISCUSSION AND ANALYSIS – Significant Investment Held, Material Acquisition and Disposal” in the 2019 annual report of the Company for details) were excluded, the selling and distribution expenses for the year ended 31 December 2020 would have decreased by approximately 22.2% from approximately RMB35.2 million for the year ended 31 December 2019 to approximately RMB27.4 million for the year ended 31 December 2020, primarily as a result of the decrease in advertising and promotion expenses in line with the decrease in our overall revenue in current year.

### ***Administrative Expenses***

Administrative expenses decreased significantly by approximately 66.5% from approximately RMB136.3 million for the year ended 31 December 2019 to approximately RMB45.7 million for the year ended 31 December 2020. However, if the one-off and non-cash share-based payment expenses of approximately RMB63.6 million for the year ended 31 December 2019 (please refer to the section headed MANAGEMENT DISCUSSION AND ANALYSIS – “Significant Investment Held, Material Acquisition and Disposal” in the 2019 annual report of the Company for details) were excluded, the administrative expenses for the year ended 31 December 2020 would have decreased by approximately 37.1% from approximately RMB72.7 million for the year ended 31 December 2019 to approximately RMB45.7 million for the year ended 31 December 2020, primarily due to the decrease in staff remuneration expenses as a result of a decrease in the average number of staff members during the year.

### ***Net Loss on Termination of Assignment Contract in relation to Acquisition of a Land Use Right***

During the year ended 31 December 2020, Huzhou Baiyin, an indirect wholly-owned subsidiary under the Group, entered into the Termination Agreement and a compensation agreement to terminate the acquisition of the land use right over a piece of land located in Huzhou, the PRC (please refer to the section headed “Significant Investment Held, Material Acquisition and Disposal” below for details). In accordance with the terms of the agreements, the Committee agreed to refund the deposits received of approximately RMB270.9 million and compensate Huzhou Baiyin for certain capital expenditure, other related expenses and certain taxes paid. A net loss on termination of assignment contract in relation to the acquisition of a land use right of approximately RMB27.4 million was recorded in the year.

### ***Income Tax Expense***

The amount decreased primarily due to the decrease in profit before tax.

### ***Loss attributable to owners of the Company***

For the year ended 31 December 2020, we recorded a loss attributable to owners of the Company of approximately RMB35.6 million (2019: RMB5.1 million). However, if the aforesaid one-off net loss on termination of assignment contract in relation to acquisition of a land use right of approximately RMB27.4 million and the one-off net loss of approximately RMB12.5 million on inventory write-off upon expiry in relation to the pilot expansion into a new business of COVID-19 diagnostic kit distribution in collaboration with a pharmaceutical company in the PRC in 2020 were excluded, we would have recorded a net profit for the year ended 31 December 2020 of approximately RMB4.3 million, representing a significant decrease of approximately 94.5% as compared with net profit of (excluding, for illustration purposes only, the one-off and non-cash share-based payment expenses of approximately RMB83.0 million for 2019) approximately RMB77.9 million for the year ended 31 December 2019. This was mainly due to that, affected by the epidemic, the sales on both online platforms and offline sales and service network saw a considerable decline and the overall revenue dropped.

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

The Group's inventories mainly comprise silver bars, jewellery products and gold bars. For the year ended 31 December 2020, inventory turnover days were approximately 776.2 days (for the year ended 31 December 2019: 148.9 days) mainly due to the substantial recession in inventory being sold.

The turnover days for trade receivables for the year ended 31 December 2020 were approximately 221.0 days (for the year ended 31 December 2019: 81.5 days) mainly due to the delay in repayment from certain customers affected by the COVID-19.

The turnover days for trade payables for the year ended 31 December 2020 were approximately 85.9 days (for the year ended 31 December 2019: 54.1 days) mainly due to the Group slowed down payments during the year.

### ***Borrowings***

As of 31 December 2020, the Group's trade loans balance amounted to approximately RMB10.0 million (as of 31 December 2019: RMB19.4 million). The amount was carried at a fixed interest rate and would be due for repayment within one year.

The Group's net gearing ratio was calculated on the basis of the trade loans less bank balances and cash as a percentage of total equity. As of 31 December 2020, the Group was in a net cash position with a net gearing ratio of approximately -46.0% (as of 31 December 2019: -26.1%).

### ***Capital Expenditures***

For the year ended 31 December 2020, the Group invested approximately RMB1.5 million in property, plant and equipment (2019: RMB0.5 million).

For the year ended 31 December 2020, the Group paid additional deposits and other direct cost in relation to the acquisition of land use right of approximately RMB10.3 million (2019: RMB110.9 million).

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

As at 31 December 2020, assets with the following carrying amounts were pledged to secure the trade loans of the Group.

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Inventories	<b>30,000</b>	30,000
Trade receivables	<b>75,000</b>	75,000
	<b><u>105,000</u></b>	<u>105,000</u>

In addition, for the years ended 31 December 2020 and 31 December 2019, the trade loans of the Group were secured by (i) personal guarantees executed by Mr. Chen He (a director of the Company) and Mr. Chen Wantian (a director of China Silver Group) and their respective spouses; and (ii) a corporate guarantee executed by China Silver Group.

## ***Capital Commitments***

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– Property, plant and equipment	<b>8,752</b>	1,100
– Intangible assets	–	12,140
– Land use right	–	95,467
	<b><u>8,752</u></b>	<u>108,707</u>

## **Contingent Liabilities**

As at 31 December 2020 and 31 December 2019, the Group did not have any contingent liabilities.

## **Employees**

As of 31 December 2020, the Group employed 204 staff members (as of 31 December 2019: 336 staff members) and the total remuneration for the year ended 31 December 2020 amounted to approximately RMB23.9 million (2019: RMB123.9 million). The decrease was mainly due to the decrease in the number of staff in the current year and the absence of the one-off and non-cash share-based payment expenses of approximately RMB83.0 million for the year ended 31 December 2019 in the current year. The Group's remuneration packages are in line with the current laws in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

## **Liquidity and Financial Resources**

The Group maintained a healthy liquidity position during the year. The Group was principally financed by internal resources, net proceeds received from the global offering of the Company in 2018 (the “**Global Offering**”), net proceeds received from the strategic issuance of the Company to Mr. Yao Runxiong in 2019 (the “**Strategic Issuance**”) and trade loans. The Group’s principal financial instruments comprise bank balances and cash, trade and other receivables, as well as trade and other payables and trade loans. As of 31 December 2020, the bank balances and cash, net current assets and total assets less current liabilities were approximately RMB652.8 million (as of 31 December 2019: RMB393.3 million), RMB1,370.6 million (as of 31 December 2019: RMB1,153.0 million) and RMB1,400.5 million (as of 31 December 2019: RMB1,436.1 million), respectively. As of 31 December 2020, the Group had trade loans amounting to approximately RMB10.0 million (as of 31 December 2019: RMB19.4 million).

## **Dividend**

No final dividend for the year ended 31 December 2020 was proposed (2019: Nil).

## **Significant Investment Held, Material Acquisition and Disposal**

Between 29 and 30 June 2020, Huzhou Baiyin, an indirect wholly-owned subsidiary of the Group, entered into the Termination Agreement with the Committee and the Bureau, and a compensation agreement with the Committee, pursuant to which (a) the Committee and the Bureau agreed to terminate the Acquisition described in note 9(i) to the consolidated financial statements; and (b) the Committee agreed to (i) refund the deposits received amounting to approximately RMB270.9 million; (ii) compensate Huzhou Baiyin for the capital expenditure and other expenses incurred by the Group in connection with the exploration, design and construction works on the land; and (iii) compensate Huzhou Baiyin for certain taxes paid by another indirect wholly-owned subsidiary of the Group.



Up to 31 December 2020, the Group paid an aggregate amount of approximately RMB232.5 million of deposits and other direct costs of approximately RMB26.7 million in relation to the Acquisition. Deposits of approximately RMB245.6 million were received by the Group during the year ended 31 December 2020 and a refundable amount of approximately RMB25.3 million was accounted as other receivables at 31 December 2020. Respective net loss on termination of assignment contract in relation to the Acquisition of approximately RMB27.4 million was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020. Subsequent to the reporting period, a refund of approximately RMB25.3 million has been further received in full.

Save as disclosed above, the Group did not hold any significant investment nor did the Group carry out any material acquisition and disposal for the year ended 31 December 2020.

### **Use of Proceeds from the Global Offering**

The net proceeds received from the Global Offering amounted to approximately RMB329.3 million after deducting underwriting commission and all related expenses. The net proceeds have been and will continue to be used in a manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 28 February 2018. The unused amount of the net proceeds as at 31 December 2019 and 31 December 2020 amounted to approximately RMB99.0 million and RMB33.0 million, respectively.

### **Use of Proceeds from the Strategic Issuance**

The net proceeds received by the Company from the Strategic Issuance amounted to approximately RMB134.7 million after deducting transaction costs directly attributable to the transaction. The net proceeds have been and will continue to be used in a manner consistent with that mentioned on page 20 of the circular of the Company dated 31 July 2019. The unused amount of the net proceeds as at 31 December 2019 and 31 December 2020 amounted to approximately RMB114.9 million and RMB36.1 million, respectively.

## **Event after the Reporting Period**

Subsequent to 31 December 2020, in regard to the termination of the Acquisition mentioned under the paragraph headed “Significant Investment Held, Material Acquisition and Disposal” above, the Group has further received the remaining amount of approximately RMB25.3 million as compensation of capital expenditure and other expenses incurred in connection with the Acquisition.

## **OTHERS**

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

The register of members of the Company will be closed from Wednesday, 9 June 2021 to Tuesday, 15 June 2021 (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 Tuesday, 15 June 2021, 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 Tuesday, 8 June 2021 for registration of transfer.

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

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. As at the date of this announcement, the Board comprises two executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Throughout the year ended 31 December 2020, the Company has complied with the code provisions under the CG Code except for code provisions A.2.1 and E.1.2.

Code provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chen He is currently both the chairman of the Board and chief executive officer of the Company. He has been leading the Group for many years since he joined the Group in 2013. He has been the driving force behind our development, growth and expansion and is primarily responsible for the overall management of the Group and for directing strategic developments and business plans of the Group. In light of the above, all of the Directors consider Mr. Chen to be the best candidate for both positions and that such arrangement is beneficial to and in the best interests of the Group and the shareholders of the Company as a whole.

The Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer of the Company in due course after taking into account of the then overall circumstances of the Group.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting.

At the annual general meeting of the Company held on 15 June 2020, the chairman of the Board, Mr. Chen He, was unable to attend the abovementioned annual general meeting due to business engagement.

### **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 2020.

### **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 2020.

## **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 2020. 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 Moore Stephens 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 2020 as set out in this announcement have been agreed by the Group’s auditor, Moore Stephens CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year as approved by the Board on 29 March 2021. The work performed by Moore Stephens 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 Moore Stephens CPA Limited on this announcement.

## **Acknowledgement**

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

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

This audited annual results announcement is published on the websites of the Company ([www.csmall.com](http://www.csmall.com)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2020 annual report of the Company will be dispatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 29 March 2021

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