CSMall Group Limited
金貓銀貓集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1815)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS OF 2021 UNAUDITED ANNUAL RESULTS

- Revenue increased to approximately RMB364.2 million, representing an increase of approximately 4.7% as compared to that for 2020.
- Profit attributable to owners of the Company was approximately RMB0.1 million, as compared to a loss attributable to owners of the Company for 2020 of approximately RMB35.6 million. Such turnaround from loss to profit is mainly attributable to (i) the absence in 2021 of the one-off net loss on termination of assignment contract in relation to the acquisition of a land use right of approximately RMB27.4 million recorded in 2020 and (ii) the net reversal of impairment loss under expected credit loss model recognized in respect of trade receivables for 2021 of approximately RMB8.7 million, as compared to the net provision in this respect for 2020 of approximately RMB11.1 million.

For the reasons explained below under the section headed "Review of Unaudited Annual Results", the auditing process for the annual results of CSMall Group Limited (the "**Company**" or "**CSMall**") and its subsidiaries (collectively, the "**Group**" or "**we**") has not been completed. In the meantime, the board of directors (individually, a "**Director**", or collectively, the "**Board**") of the Company is pleased to announce the unaudited consolidated financial results of the Group for the year ended 31 December 2021 (or the "**current year**", "**this year**" or "**during the year**"), together with the comparative audited figures for the year ended 31 December 2020 (or the "**last year**", "**prior year**" or "**previous year**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000 (unaudited)	2020 RMB'000 (audited)
Revenue	*3*	**364,187**	347,768
Cost of sales		**(301,080)**	(259,490)
Gross profit		**63,107**	88,278
Other income, net		**2,230**	5,827
Other gains and losses	*4*	**(1,012)**	(11,527)
Selling and distribution expenses		**(29,693)**	(27,400)
Administrative expenses		**(34,302)**	(45,698)
Other expenses		**(230)**	(109)
Reversal of (provision for) impairment loss under expected credit loss model, net	*10*	**8,729**	(11,147)
Net loss on termination of assignment contract in relation to acquisition of a land use right	*9(iv)*	**–**	(27,441)
Finance costs		**(455)**	(1,613)
Profit (loss) before tax		**8,374**	(30,830)
Income tax expense	*5*	**(8,303)**	(4,773)
Profit (loss) and total comprehensive income (expense) for the year, attributable to the owners of the Company	*6*	**71**	(35,603)
		RMB	*RMB*
Earnings (loss) per share	*8*		
Basic		**0.000**	(0.029)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021 RMB'000 (unaudited)	2020 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**16,883**	8,779
Right-of-use assets		**8,326**	9,945
Intangible assets		**–**	–
Deferred tax assets		**4,317**	9,152
Refundable rental deposits		**707**	798
Deposits paid on acquisition of non-current assets		**93**	1,268
		30,326	29,942
CURRENT ASSETS			
Inventories		**978,469**	652,561
Trade and other receivables	*9*	**175,869**	231,409
Amount due from immediate holding company		**13,256**	12,542
Bank balances and cash		**312,649**	652,828
		1,480,243	1,549,340
CURRENT LIABILITIES			
Trade and other payables	*11*	**83,191**	136,203
Trade loans	*12*	**–**	10,000
Lease liabilities – current portion		**4,069**	6,572
Contract liabilities		**2,636**	6,159
Amounts due to fellow subsidiaries		**3,763**	3,938
Amounts due to related companies		**9,010**	9,010
Income tax payable		**5,570**	6,867
		108,239	178,749
NET CURRENT ASSETS		**1,372,004**	1,370,591
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,402,330**	1,400,533

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
CAPITAL AND RESERVES		
Share capital	**842**	842
Share premium and reserves	**1,396,247**	1,396,176
TOTAL EQUITY	**1,397,089**	1,397,018
NON-CURRENT LIABILITY		
Lease liabilities – non-current portion	**5,241**	3,515
TOTAL EQUITY AND NON-CURRENT LIABILITY	**1,402,330**	1,400,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 19 January 2017. The 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 Unit 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, colored gemstones, gem-set and other jewellery products in the People's Republic of China ("**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 following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021" which are mandatorily effective for annual reporting periods beginning on or after 1 April 2021.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realizable value of inventories.

Except as described below, the application of the 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.

2.1 Impacts on early application of Amendment to IFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021 (the "2021 Amendment")"

The Group has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions" in prior year and the 2021 Amendment in the current year. The 2021 Amendment extends the availability of the practical expedient in paragraph 46A of IFRS 16 "Leases" by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior years.

2.2 Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
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 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022.

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

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

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

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
By products		
Sales of gold products	**149,893**	78,708
Sales of silver products	**211,331**	265,946
Sales of colored gemstones	**1,926**	–
Sales of gem-set and other jewellery products	**1,037**	3,114
Total	**364,187**	347,768
By geographical market		
The PRC	**364,187**	347,768
By sales channels		
Online sales channels		
Self-operated online platform *(Note i)*	**1,145**	64,618
Third-party online sales channels *(Note ii)*	**227,310**	203,231
	228,455	267,849
Offline retail and service network		
CSmall Shops *(Note iii)*	**13,847**	50,013
Shenzhen Exhibition Hall *(Note iv)*	**121,755**	28,117
Third-party offline points of sale	**130**	1,789
	135,732	79,919
Total	**364,187**	347,768

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

(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 self-operated by the Group located in Shuibei, Shenzhen.

All of the revenue are recognised at a point in time during the years ended 31 December 2021 and 2020.

(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 sales of gold products, silver products, colored gemstones and 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**	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
The PRC	**364,187**	347,768	**24,580**	19,291
Hong Kong	**–**	–	**722**	701
	364,187	347,768	**25,302**	19,992

Note: Non-current assets excluded refundable rental deposits 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:

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Customer A *(Note i)*	**79,676**	60,569
Customer B *(Note ii)*	**37,965**	N/A *(Note iii)*
Customer C *(Note i)*	**N/A** *(Note iii)*	36,763

Notes:

(i) Revenue from a television shopping channel contractor (included in television and video shopping channels under online sales channels) that delivered the products of the Group to the respective end users.

(ii) Revenue from a wholesale (included in Shenzhen Exhibition Hall under offline retail and service network).

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

4. OTHER GAINS AND LOSSES

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Net exchange gain	**403**	1,228
Write-off of property, plant and equipment	**(1,415)**	–
COVID-19 diagnostic kit trading income *(Note i)*	**–**	2,667
COVID-19 diagnostic kit trading expenses *(Note i)*	**–**	(3,638)
One-off write-off of COVID-19 diagnostic kits *(Note i)*	**–**	(12,539)
Gain on disposal of a subsidiary *(Note ii)*	**–**	755
	(1,012)	(11,527)

Notes:

i. During the year ended 31 December 2020, the Group had 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 had 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 of 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 year ended 31 December 2020 nor did it have significant assets and liabilities as at the date of disposal.

5. INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
PRC Enterprise Income Tax ("**EIT**")		
– current year	**3,811**	15,776
– overprovision in respect of prior years	**(343)**	(5,909)
	3,468	9,867
Deferred taxation	**4,835**	(5,094)
	8,303	4,773

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, which was disposed of on 28 December 2020 and it was recognised as a Software Enterprise by the PRC tax authorities and it was 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 year ended 31 December 2020, Shenzhen Yunpeng, the former subsidiary, was subject to PRC EIT at a rate of 12.5%.

6. PROFIT (LOSS) FOR THE YEAR

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Profit (loss) for the year has been arrived at after charging:		
Directors' emoluments	**1,959**	3,021
Other staff costs:		
– salaries and other allowances	**16,498**	19,375
– retirement benefits scheme contributions	**2,532**	1,519
Total staff costs	**20,989**	23,915
Auditor's remuneration	**1,078**	1,115
Amortisation of intangible assets	**–**	281
Depreciation of property, plant and equipment	**5,204**	3,875
Depreciation of right-of-use assets	**5,676**	8,091
Cost of inventories recognised as expenses (included in cost of sales)	**301,080**	259,490
Expenses on short-term leases in respect of retail shops	**173**	343

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. EARNINGS (LOSS) PER SHARE

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

	2021	2020
	(unaudited)	(audited)
Profit (loss) for the year for the purpose of basic earnings (loss) per share *(RMB'000)*	**71**	(35,603)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share (in thousand)	**1,237,875**	1,237,875

No diluted earnings (loss) per share is presented for the years ended 31 December 2021 and 2020 as there were no potential ordinary shares in issue for both 2021 and 2020.

9. TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables from contracts with customers *(Note i)*	**34,963**	100,461
Less: allowance for credit losses	**(11,856)**	(20,585)
	23,107	79,876
Other receivables, deposits and prepayments	**7,580**	16,965
Prepayments to suppliers *(Note ii)*	**121,341**	61,502
Value-added tax ("**VAT**") recoverable	**23,841**	28,292
Amount due from a former subsidiary, Shenzhen Yunpeng *(Note iii)*	**–**	19,499
Other receivable arising from termination of assignment contract of a land use right from the PRC government *(Note iv)*	**–**	25,275
	175,869	231,409

Notes:

(i) The Group pledged trade receivables with a carrying value of RMB75,000,000 at 31 December 2020 to secure trade loans of the Group. Such trade receivables was released from the pledge during the year ended 31 December 2021.

(ii) Included in the balance is prepayments paid to a fellow subsidiary, 江西龍天勇有色金屬有限公司, a wholly-owned subsidiary of China Silver Group, with a carrying amount of RMB117,537,000 as at 31 December 2021 (2020: RMB31,687,000). Subsequent to the end of reporting period, inventories of approximately RMB84,000,000 have been delivered to the Group by its fellow subsidiary.

(iii) Amount due from a former subsidiary, Shenzhen Yunpeng, was fully received during the year ended 31 December 2021.

(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 "**Huzhou 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 Huzhou Committee and the Bureau, and a compensation agreement with the Huzhou Committee, pursuant to which the Huzhou Committee and the Bureau agreed to terminate the Contract and the Huzhou 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 2020, the Group 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 at 31 December 2020, which was fully received during the year ended 31 December 2021. 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 as set out in Note 11. 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.

During the year ended 31 December 2021, no further provision for termination of assignment contracts has been made. Settlement of RMB30,881,000 has been repaid in relation to the remaining payables, which amounted to RMB39,103,000.

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB341,169,000, net of allowance for credit losses of RMB9,438,000.

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:

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 30 days	**18,532**	27,425
31 – 60 days	**1,963**	42,972
61 – 90 days	**680**	1,350
Over 90 days	**1,932**	8,129
	23,107	79,876

As at 31 December 2021, included in the Group's trade receivables, net of allowance of credit losses were debtors with aggregate carrying amount of RMB12,036,000 (2020: RMB46,679,000) which were past due as at the reporting date. Out of the past due balances, RMB1,367,000 (2020: RMB8,003,000) 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.

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

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Reversal of (provision for) impairment loss recognised in respect of trade receivables, net	**8,729**	(11,147)

11. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**31,150**	58,069
Other payables and accrued expenses	**35,117**	21,512
Customer receipts in advance	**–**	1,864
VAT and other tax payables	**8,702**	15,655
Provision for termination of assignment contracts *(Note below and Note 9(iv))*	**8,222**	39,103
	83,191	136,203

Note: As at 31 December 2020, the balance included an amount of RMB20,650,000 payable to Zhejiang Jifeng Geotechnical Technology Co., Ltd. (浙江績豐岩土技術有限公司 ("**Zhejiang Jifeng Geotechnical**") which represented pre-construction costs incurred in relation to the land use right as detailed in Note 9(iv). During the year ended 31 December 2021, total pre-construction costs incurred to Zhejiang Jifeng Geotechnical amounted to nil (2020: RMB37,514,000) and the balance due to Zhejiang Jifeng Geotechnical amounted to RMB20,650,000 has been fully paid. Mr. Chen Wantian, a director of China Silver Group is also a director (out of the six directors as at 31 December 2021 (2020: 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:

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 30 days	**10,219**	32,172
31 – 60 days	**–**	8,658
61 – 90 days	**434**	–
Over 90 days	**20,497**	17,239
	31,150	58,069

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

12. TRADE LOANS

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade loans	–	10,000

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 RMB20,000,000 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 settles with the bank, and Shenzhen Guoyintongbao would have a longer credit period.

The trade loans as at 31 December 2020 carried interest at a fixed rate of 5.66% per annum, which was also the effective interest rate during the year ended 31 December 2020. The amounts were due for repayment within one year from the end of 31 December 2020 and repaid during the year ended 31 December 2021.

In addition, the trade loans were secured by (i) personal guarantees executed by Mr. Chen He (an executive 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 which had been released during the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The epidemic in the PRC entered a period of normalised prevention and control in this year. In the second half of the year, the epidemic rebounded in many places across the country, which suppressed certain consumer demand and slowed down market demand. The jewellery retail industry was also therefore under great pressure. However, as the Group implemented a number of measures to deal with the crisis, including improvement of business plan and relayout, the Group's revenue increased slightly compared to last year to approximately RMB364.2 million. The Group recorded a net profit attributable to owners of the Company of approximately RMB0.1 million.

During the reporting period, sales through third-party online channels contributed most of the Group's revenue by online sales channels. The rapid growth in the scale of e-commerce live streaming has deeply influenced the jewellery industry. The jewellery industry is also accelerating the shift to the live streaming sales model. The live streaming of jewellery on leading platforms has entered a stage of steady development. In the face of a new ecological model, the Group suspended the operation of its self-operated online platform during the year to reduce operation and promotion expenses. By expanding on diverse online sales channels, the Group enjoyed the benefits brought by live streaming, and it leveraged on third-party sales channels to make rapid transformation. Relying on the strong traffic from third-party platforms, the online sales operation was further enhanced through new marketing models including short video marketing, e-commerce live streaming, and online celebrities (KOL) promotion. In particular, the Group's featured brands "SISI" and "China Silver" had cooperated with 49 streamers, including top streamers such as Li Jiaqi (李佳琦), Wei Ya (薇婭) and Xue Li (雪梨), and celebrity streamers including Jin Xing (金星), Zhang Xinyu (張馨予) and Ye Yiqian (葉一茜). The live streaming of the jewellery industry is not only a channel to attract consumers and sell goods, but also a ground to quickly reach consumers, accurately embrace the young consumer groups on the Internet, and promote the Group's brand image. E-commerce live streaming also realises face-to-face information exchange between streamers (merchants) and consumers. Through the live streaming communication portal, consumers can be provided with better products and services.

As the epidemic has not yet ended, the Group slowed down the expansion of its offline network and cautiously selected sites for opening new stores, we opened 26 new stores and closed 86 stores during the year. At present, the Group has no concrete plan to expand offline stores.

Due to fluctuations in gold prices this year, the demand for wholesale gold products increased, accounting for 90% of offline sales, mainly derived from the offline showroom wholesale channels. The Group recorded gross profit of approximately RMB63.1 million for the year ended 31 December 2021 (2020: RMB88.3 million), representing a decrease of approximately 28.5% as compared to that for 2020, mainly due to the increase of sale of relatively low-margin gold products.

The Group has always advocated diversified product sales, with three major products including gold jewellery, silver jewellery and gemstone jewellery. Previously, the Company adopted a sales strategy focusing on gold and silver jewellery, supplemented by gemstone jewellery. In the future, we will develop gemstone jewellery into a new growth point for the Company's business following the trends in the market in addition to consolidating the foundation of the gold and silver jewellery product business, so as to achieve vigorous development in all three series of products of the Company. The Group is optimistic about the room for appreciation and market potential of colored gemstones. In particular, as the annual production of scarce ruby mines has seen a downward trend, which has intensified the rarity of rubies, the price of high-quality rubies has increased steadily every year in the past three years, increasingly demonstrated the investment, value preservation and value appreciation functions of rubies. In particular, high-quality rubies are hard to find in the market and have become the focus of ruby collectors. In the current year, the Group procured certain crushed colored gemstones (predominantly rubies, and also small quantities of sapphires and emeralds) (the "**Colored Gemstones**"), and planned to sell the processed Colored Gemstones to customers such as watch manufacturers on a wholesale basis and also set the gemstones into jewellery accessory for sale through the Group's online and offline retail channels. The Group's original procurement consideration for the Colored Gemstones was approximately RMB810 million. With the resurgence of the novel coronavirus ("**COVID-19**") in various parts of the world in mid-2021, overseas watch manufacturers were practically unable to travel to PRC to physically inspect the goods and negotiate transactions. It is difficult for the Group to achieve sales in a short period of time. To reduce the Group's working capital risk and inventory risk, we reached an agreement with the seller to return part of the Colored Gemstones amounting to approximately RMB350 million. In addition, due to the scarcity and the properties of value preservation and appreciation of rubies, the Group will carefully consider the sales strategy, and has explored sales opportunities to domestic business collaboration customers to gradually expand the sales market.

Online Sales Channels

(i) Third-party online sales channels

For the year ended 31 December 2021, 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 2021, 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 became a vital part of our brand marketing. Their content becomes the core of every aspect of our brand marketing, sales and operation. For the year ended 31 December 2021, the Group has cooperated with top streamers and celebrities including Li Jiaqi (李佳琪), Xue Li (雪梨), Wei Ya (薇婭), and Jin Xing (金星), to increase more brand exposure and sales.

(ii) Self-operated online platform

The accumulated number of registered members on our self-operated online jewellery platform, including www.csmall.com, m.csmall.com and the mobile app of "金貓銀貓CSmall", surpassed approximately 9.9 million. In view of the market climate and habits of consumers, the Group had suspended the operation of the self-operated online platform since this 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 2021, 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, closed 86 stores and opened 26 new stores. As of 31 December 2021, we had 38 CSmall Shops located in 13 provinces and municipalities in the PRC, consisting of 1 self-operated CSmall Shop and 37 franchised CSmall Shops with presence in Beijing, Chongqing, Gansu, Heilongjiang, Henan, Hubei, Jiangsu, Shaanxi, Shanxi, 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.

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 sector with enormous potential in the PRC, related products are springing up like mushrooms. We will recruit more outstanding designers and maintain 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 analyzing data from both online platforms and offline stores, such system provides valuable information on customer 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 behaviour 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

Looking to the future, continued focus on digital marketing is one of the keys for the Group to promote sustainable growth. The Group will continue to leverage on the huge traffic of third-party platforms to fully enjoy the benefits brought by live streaming, gain more brand exposure and more contribution through the live streaming of jewellery. We will further rely on social big data to realise the digital transformation of commercial marketing scenarios including consumer insight, market positioning, and placement optimisation. The expansion plan of offline stores will also be slowed down due to the unstable epidemic situation, and we will utilize our primary resources and efforts to focus on our online network. The Group is optimistic about the room for appreciation and market potential of colored gemstones. In the future, rubies will also be developed as a new growth point for the Company's business. It is foreseeable that with consumers' love for jewellery and increasing awareness and popularity of rubies, the market demand will gradually increase and ruby will see a long-term and stable price increase.

As a jewellery vertical e-commerce platform, CSMall has been digitizing and intelligently empowering the traditional jewellery industry. In response to the huge impact of the epidemic on the jewellery retail industry and many uncertainties in the post-epidemic era, the Group has also explored and considered suitable business opportunities outside the jewellery industry in recent years to diversify its business risks, so that the Group can extend its experience, capabilities and resources in the field of new internet retail to other internet vertical fields to make our business more diversified.

The changes in consumption mentality brought by the epidemic will last for a period of time, and consumers are more inclined to consumer goods of rigid demand. The Group has diversified its business by engaging in the industry of consumer goods of rigid demand. CSMall strongly supports the PRC national strategy of "rural revitalization" proposed by President Xi Jinping of the PRC in 2017. Under the general direction of the "common prosperity" policy, the rural economy and the production of Chinese farmers are poised to become the next focus of development. 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）(the "**Target Company**"). The Target Company is the developer and operator of the "農牧人" ("Nongmuren", meaning farmers and herdsmen) S2B2C platform, which was officially launched in May 2021 and which provides branding and SaaS (software as a service) services to enterprises along the agricultural supply chain as well as small and medium-sized businesses in the PRC. Small and medium-sized businesses are empowered through the S2B2C (supply chain to business to customer) model, whilst farms and farmers are empowered through the F2B2C (farm to business to customer) model, to achieve whole-process digitalization from agricultural laborers' cultivation of crops and rearing of livestock to citizens' consumption of agricultural products. Through the investment, the Group expands its business operations from the new retail of jewellery, a non-essential good, to the new retail of agricultural products, an essential good, to assist in digitally empowering another traditional industry, namely the agricultural products industry, and promoting the modernization of agricultural industry. The agricultural products industry is different from the non-essential jewellery industry and can help diversify business risks of the Group, thereby enhancing the Group's risk resilience and profitability. The Group has made capital injection into this agricultural platform which is undergoing a stage of rapid growth and can bring good development prospects to the Group. It is expected to become one of the Group's main business growth drivers and core businesses in 2022, bringing huge surprises to all shareholders.

Based on the above, the Group is confident that it will continue to bring better returns to shareholders in the future.

Financial Review

Revenue

The revenue of the Group for the year ended 31 December 2021 was approximately RMB364.2 million (2020: RMB347.8 million), representing an increase of approximately 4.7% from that of 2020, mainly due to the significant increase in the sale of gold products through Shenzhen Exhibition Hall and the increase in the sales from the third-party online sales channels.

	2021		2020	
	Revenue *RMB'000* **(unaudited)**	**% of revenue (unaudited)**	Revenue *RMB'000* (audited)	% of revenue (audited)
Online Sales Channels				
Self-operated online platform	**1,145**	**0.3%**	64,618	18.6%
Third-party online sales channels	**227,310**	**62.4%**	203,231	58.4%
	228,455	**62.7%**	267,849	77.0%
Offline Retail and Service Network				
CSmall Shops	**13,847**	**3.8%**	50,013	14.4%
Shenzhen Exhibition Hall	**121,755**	**33.5%**	28,117	8.1%
Third-party offline points of sale	**130**	**0.0%**	1,789	0.5%
	135,732	**37.3%**	79,919	23.0%
Total	**364,187**	**100.0%**	347,768	100.0%

Online Sales Channels

During the year, the online sales channels recorded sales of approximately RMB228.5 million (2020: RMB267.8 million), representing a decrease of approximately 14.7%, the overall decrease in sales from online sales channels was mainly due to the suspension of the operation of the self-operated online platform during the year despite the fact that there was an increase in the sales from third-party online sales channels.

Offline Retail and Service Network

During the year, we closed 86 stores and opened 26 new stores, and the offline retail and service network recorded sales of approximately RMB135.7 million (2020: RMB79.9 million), representing an increase of approximately 69.8%, mainly due to a significant increase in the sale of gold products through Shenzhen Exhibition Hall, which offset the decrease in demand under the traditional offline shopping model as people's desire to go out for shopping was affected by the outbreak of the COVID-19.

Cost of Sales and Services Provided

Cost of sales increased from approximately RMB259.5 million for the year ended 31 December 2020 to approximately RMB301.1 million for the year ended 31 December 2021, representing an increase of approximately 16.0%, mainly due to the increase in our sales of gold products during the year.

Gross Profit and Gross Profit Margin

We recorded gross profit of approximately RMB63.1 million for the year ended 31 December 2021 (2020: RMB88.3 million), a decrease of approximately 28.5% as compared to that of 2020 and the gross profit margin also decreased from approximately 25.4% to 17.3%, mainly attributable to the combined effects of the decrease in sales of silver products, which has a relatively high margin and the increase of sale of gold products, which has a relatively low margin. We will continue to adjust our sale strategy to optimise our product mix to focus on the sale of a more diverse product offering and the promotion of high-margin silver, colored gemstones and jewellery products in the coming future.

Other Gains and Losses

Other gains and losses decreased to approximately RMB1.0 million for the year ended 31 December 2021 from approximately RMB11.5 million for the year ended 31 December 2020. In the current year, the amounts mainly represented the net exchange gain and write-off of property, plant and equipment; whereas in the last year, the amounts mainly represented 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 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.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 8.4% from approximately RMB27.4 million for the year ended 31 December 2020 to approximately RMB29.7 million for the year ended 31 December 2021, primarily due to the increase in restoration expenses for the closure of stores and the commission expenses for the third-party online sales channels.

Administrative Expenses

Administrative expenses decreased significantly by approximately 24.9% from approximately RMB45.7 million for the year ended 31 December 2020 to approximately RMB34.3 million for the year ended 31 December 2021, primarily due to the combined effects of the suspension of the self-operated online platform during the year which allowed the Group to save the operating cost of running the platform, and the decrease in staff remuneration costs as a result of a decrease in the average number of staff 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 a 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. In accordance with the terms of the agreements, Huzhou 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 last year while no such loss was recorded in this year.

Income Tax Expense

The amount increased primarily due to the increase in profit before tax.

Profit (Loss) attributable to owners of the Company

For the year ended 31 December 2021, we recorded a profit attributable to owners of the Company of approximately RMB0.1 million (2020: loss of approximately RMB35.6 million). Such turnaround from loss to profit is mainly attributable to (i) the significant decrease in administrative expenses primarily as a result of the suspension of the self-operated online platform and the gradual workforce downsizing during the year; (ii) the net reversal of impairment loss recognised in respect of trade receivables of approximately RMB8.7 million for this year, as compared to the net provision in this respect of approximately RMB11.1 million for last year; (iii) the absence in this year of the one-off net loss on termination of assignment contract in relation to acquisition of a land use right of approximately RMB27.4 million recorded in last year; and (iv) the absence in this year of 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 last year.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group's inventories mainly comprise silver bars, colored gemstones, jewellery products and gold bars. For the year ended 31 December 2021, inventory turnover days were approximately 988.7 days (for the year ended 31 December 2020: 776.2 days), mainly due to significant increase in inventories as a result of the procurement of the colored gemstones during the year.

The turnover days for trade receivables for the year ended 31 December 2021 were approximately 51.6 days (for the year ended 31 December 2020: 221.0 days), the turnover days decreased mainly due to significant decrease in trade receivables as at 31 December 2021.

The turnover days for trade payables for the year ended 31 December 2021 were approximately 54.1 days (for the year ended 31 December 2020: 85.9 days), the turnover days decreased due to decrease in trade payable as at 31 December 2021.

Borrowings

As of 31 December 2021, the trade loans have been fully repaid (as of 31 December 2020: RMB10.0 million).

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 2021, the Group was in a net cash position with a net gearing ratio of approximately -22.4% (as of 31 December 2020: -46.0%).

Capital Expenditures

For the year ended 31 December 2021, the Group invested approximately RMB14.7 million in property, plant and equipment (2020: RMB1.5 million).

For the year ended 31 December 2021, the Group paid additional deposits and other direct cost in relation to the acquisition of land use right of approximately RMB30.9 million (2020: RMB10.3 million).

Pledge of Assets

At the end of the reporting period, assets with the following carrying amounts were pledged to secure the trade loans of the Group.

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Inventories	**–**	30,000
Trade receivables	**–**	75,000
	–	105,000

In addition, as at 31 December 2020, 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. During the year ended 31 December 2021, the trade loans had been repaid and the pledged assets and guarantees were released.

Capital Commitments

	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Capital expenditure in respect of acquisition of contracted for but not provided in the consolidated financial statements:		
– Plant and equipment	**140**	8,752

Contingent Liabilities

As at 31 December 2021 and 31 December 2020, the Group did not have any contingent liabilities.

Employees

As of 31 December 2021, the Group employed 176 staff members (as of 31 December 2020: 204 staff members) and the total staff cost for the year ended 31 December 2021 amounted to approximately RMB21.0 million (2020: RMB23.9 million). 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 2021, the bank balances and cash, net current assets and total assets less current liabilities were approximately RMB312.6 million (as of 31 December 2020: RMB652.8 million), RMB1,372.0 million (as of 31 December 2020: RMB1,370.6 million) and RMB1,402.3 million (as of 31 December 2020: RMB1,400.5 million), respectively. As of 31 December 2021, the trade loans have been fully repaid (as of 31 December 2020: RMB10.0 million).

Dividend

No final dividend for the year ended 31 December 2021 was proposed (2020: Nil).

Significant Investment Held, Material Acquisition and Disposal

Termination of assignment contract in relation to acquisition of a land use right

Between 29 and 30 June 2020, Huzhou Baiyin, an indirect wholly-owned subsidiary of the Group, entered into a termination agreement with the Huzhou Committee and the Bureau, and a compensation agreement with the Huzhou Committee, pursuant to which (a) the Huzhou Committee and the Bureau agreed to terminate the Acquisition described in the above paragraph headed "Net Loss on Termination of Assignment Contract in relation to Acquisition of a Land Use Right"; and (b) the Huzhou 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 pre-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. As at 31 December 2021, a refund of approximately RMB25.3 million has been further received in full.

Entering into the New Investment Agreement in relation to acquisition of the 51% effective ownership in the Target Company

On 29 August 2021, Shenzhen Guojintongbao Company Limited*（深圳國金通寶有限公司）(“**Shenzhen Guojintongbao**”, a wholly-owned subsidiary of the Group and a non-wholly-owned subsidiary of China Silver Group), and 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**”, as an existing shareholder of the Target Company (as defined below)), among others, entered into the acquisition agreement, pursuant to which Shenzhen Guojintongbao has agreed to acquire, and Bric Suzhou has agreed to sell, 94% effective ownership in the Target Company through a series of contracts (the “**Original Agreement**”) to be entered into between Shenzhen Guojintongbao, Bric Suzhou and the Target Company, for a consideration of RMB94,000,000 to be satisfied by the allotment and issue of 100,000,000 new ordinary shares of the Company. For further details of the transaction under the Original Agreement, please refer to the joint announcement dated 29 August 2021 and clarified on 30 August 2021. On 31 December 2021, Shenzhen Guojintongbao and Bric Suzhou, among others, agreed to terminate the Original Agreement, and hence the transactions thereunder did not and would not proceed.

On 31 December 2021, Shenzhen Guojintongbao, Bric Suzhou, 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**”, as an existing shareholder of the Target Company), Mr. Sun Tung (as the actual controller of Bric Suzhou and Suzhou Nonggou Daohe) and the Target Company entered into the new investment agreement (the “**New 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.

Incorporated in 2015, the Target Company is the developer and operator of the “農牧人” (“Nongmuren”, meaning farmers and herdsmen) S2B2C platform, which was officially launched in May 2021 and which provides branding and SaaS (software as a service) services to enterprises along the agricultural supply chain as well as small and medium-sized businesses in the PRC.

On 10 January 2022, all of the conditions precedent under the New Investment Agreement were fulfilled, and completion of the transaction contemplated under the New Investment Agreement (other than the payment of the second installment of the capital injection to the Target Company) (the "**Completion**") took place accordingly. Immediately upon Completion, the Target Company is consolidated as a non-wholly-owned subsidiary of the Company with 51% effective ownership, and is in turn also consolidated as a non-wholly-owned subsidiary of China Silver 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 did the Group carry out any significant acquisition and disposal during the year ended 31 December 2021.

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. During the year ended 31 December 2021, the net proceeds had continued 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 until the Group entered into the agreements to procure the Colored Gemstones as mentioned under the paragraph headed "Business Review" above, after which the remaining portion of such unused net proceeds were used to settle part of the consideration for the Colored Gemstones. All of the net proceeds were used as at 31 December 2021.

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. During the year ended 31 December 2021, the net proceeds had continued to be used in a manner consistent with that mentioned on page 20 of the circular of the Company dated 31 July 2019 until the Group entered into the agreements to procure the Colored Gemstones as mentioned under the paragraph headed "Business Review" above, after which the remaining portion of such unused net proceeds were used to settle part of the consideration for the Colored Gemstones. All of the net proceeds were used as at 31 December 2021.

Event after the Reporting Period

On 10 January 2022, Shenzhen Guojintongbao made the first installment of capital injection in an amount of RMB6,000,000 to the Target Company and all of the conditions precedent under the New Investment Agreement entered into by Shenzhen Guojintongbao had been fulfilled, and the Completion had taken place accordingly. Immediately upon Completion, the Target Company is consolidated as a non-wholly-owned subsidiary of the Company with 51% effective ownership, and is in turn also consolidated as a non-wholly-owned subsidiary of China Silver Group. For details, please refer to the section headed "Significant Investment Held, Material Acquisition and Disposal" above.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 10 June 2022 to Wednesday, 15 June 2022 (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 Wednesday, 15 June 2022, 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 Thursday, 9 June 2022 for registration of transfer.

Code of Corporate Governance Practice

The Stock Exchange has announced amendments to Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") which shall apply to corporate governance reports for financial years commencing on or after 1 January 2022. Appendix 14 of the Listing Rules has been restructured and renamed from "Corporate Governance Code and Corporate Governance Report" to Corporate Governance Code" and the code provision numbers are updated. As such, the code provision numbers mentioned in this announcement are referring to the code provision numbers in the predecessor Appendix 14 to the Listing Rules unless otherwise stated.

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 Listing Rules. Throughout the year ended 31 December 2021, the Company has complied with the then-effective code provisions under the CG Code except for code provision A.2.1 (now C.2.1).

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

Mr. Chen He is currently both the chairman of the Board and chief executive officer of the Company. He has been leading the Group for many years since he joined the Group in 2013. He has been the driving force behind 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 He to be the best candidate for both positions and that such arrangement is beneficial to and in the best interests of the Group and the shareholders of the Company as a whole.

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2021.

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 2021.

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 management the unaudited consolidated financial statements for the year ended 31 December 2021. 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.

Review of Unaudited Annual Results

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to restrictions in force in parts of the PRC (especially Shenzhen where the Group's headquarters are located) mainly in March 2022 to combat the COVID-19 outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditor as the audit is incomplete and the management is following up with the outstanding audit requests to facilitate completion of audit procedures.

An announcement relating to the audited results is expected to be made no later than 15 April 2022 when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the year ended 31 December 2021. So far as the information is available, the Audit Committee is of the opinion that these statements had complied with the accounting treatment which had been adopted and the particulars published in accordance with Rule 13.49(3)(i)(a) of the Listing Rules.

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.

Further Announcement(s)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited consolidated financial results for the year ended 31 December 2021 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there is other material development in the completion of the auditing process.

Publication of Results Announcement and Annual Report

This unaudited annual results announcement is published on the websites of the Company (www.csmall.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2021 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 2022

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

* *For identification purpose only*