



中國白銀集團
CHINA SILVER GROUP

中國白銀集團有限公司

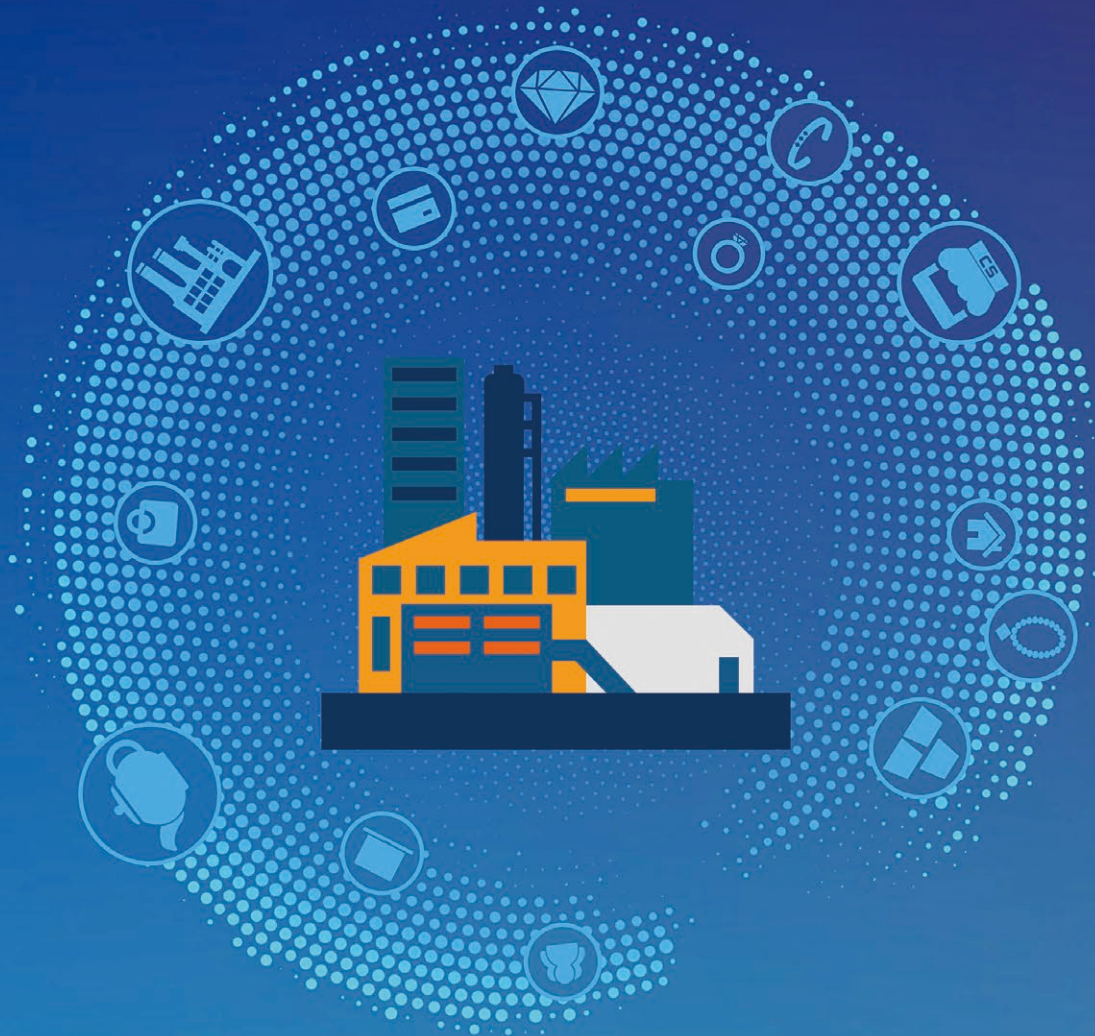
China Silver Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 815

INTERIM REPORT 2022

Leading Fully-Integrated Silver, Gold,
Palladium and Precious Metals Enterprise in China





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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Chen Wantian (陳萬天)
Song Guosheng (宋國生)
Liu Jiandong (柳建東)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Song Hongbing (宋鴻兵)
Li Haitao (李海濤)
Zeng Yilong (曾一龍)

AUDIT COMMITTEE

Zeng Yilong (Chairman)
Song Hongbing
Li Haitao

REMUNERATION COMMITTEE

Li Haitao (Chairman)
Chen Wantian
Song Hongbing

NOMINATION COMMITTEE

Chen Wantian (Chairman)
Song Hongbing
Li Haitao

COMPANY SECRETARY

Chan Hon To (陳瀚濤), HKICPA FCCA

AUTHORISED REPRESENTATIVES

Chen Wantian
Chan Hon To

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS IN THE PRC

29th Floor
Shuibe International
No. 99 Beili North Road
Luohu District
Shenzhen, Guangdong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5, 17/F, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan, Hong Kong

COMPANY'S WEBSITE

www.chinasilver.hk

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
815

PRINCIPAL BANKERS

Bank of Ganzhou
Agricultural Bank of China

AUDITOR

Moore Stephens CPA Limited
Registered Public Interest Entity Auditor

LEGAL ADVISORS

Hong Kong law:

Sullivan & Cromwell (Hong Kong) LLP

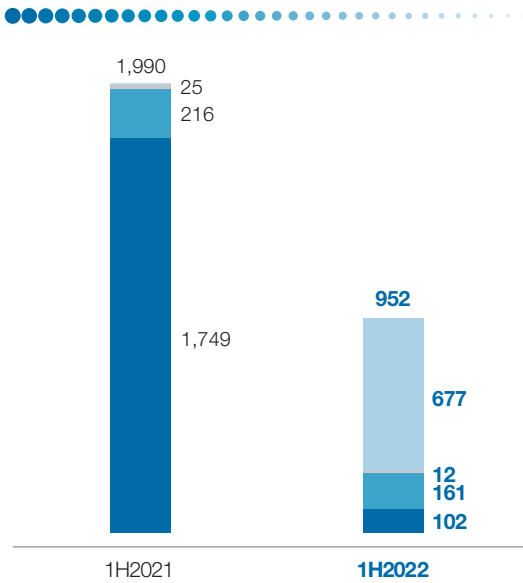
Cayman Islands law:

Conyers Dill & Pearman

FINANCIAL HIGHLIGHTS

Revenue

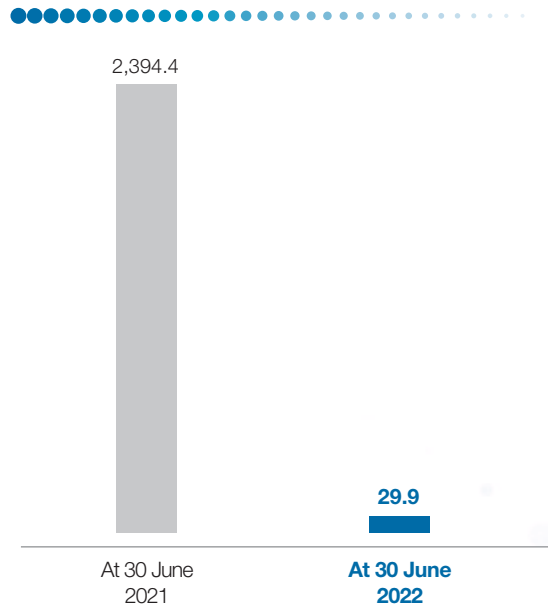
(RMB million)



- Manufacturing
- New Jewellery Retail
- Silver Exchange
- Fresh Food Retail

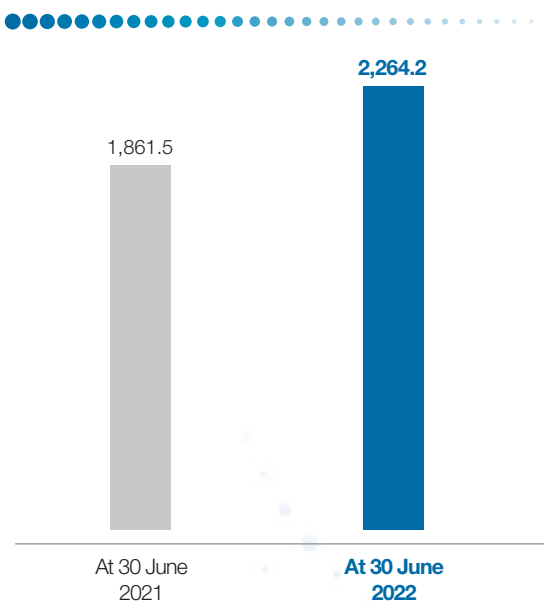
Loss Attributable to Owners of the Company

(RMB million)



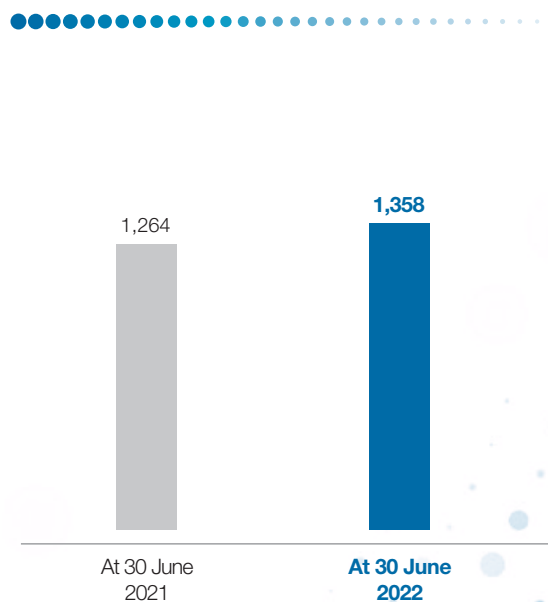
Total Assets

(RMB million)



Net Assets

(RMB million)



OUR MILESTONES



SELECTED BRANDS AND PRODUCTS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In spite of the continuation of COVID-19 which has profoundly affected people's lives and the Chinese economy, coupled with the continued escalation of geopolitical conflicts, the Group was still fortunately able to continuously seek suitable business opportunities under the continuing difficult business environment. During the period, the Group successfully completed a series of upgrade and rectification for production facilities of the Manufacturing segment to meet the higher requirements under environmental protection policies of the People's Republic of China (the "PRC"), and successfully resumed production.

For the six months ended 30 June 2022 ("1H2022"), the Group's Manufacturing segment generated sales of approximately RMB102.0 million, representing a significant decrease of approximately 94.2% as compared to approximately RMB1,748.7 million for the six months ended 30 June 2021 ("1H2021"). During the current period, as affected by the suspension of production of the Manufacturing segment, palladium and other metal by-products recorded no sales, and revenue from sales of silver ingots decreased significantly by approximately 36.8% as compared to 1H2021. Please refer to the section on the Manufacturing segment for details on the suspension of production. For 1H2022, the Manufacturing segment recorded a segment loss of approximately RMB15.8 million.

Since 2014, we have diversified from the traditional Manufacturing segment to the downstream New Jewellery Retail segment which is now operated under our non-wholly-owned subsidiary, CSMall Group Limited (stock code: 1815) ("CSMall", together with its subsidiaries, collectively referred to as "CSMall Group"). Apart from leveraging our strength and resources in the upstream business, CSMall Group has optimized its sales and marketing strategies since 2018 and gradually shifted its focus to high-margin silver jewellery products. For 1H2022, the New Jewellery Retail segment of CSMall Group recorded external sales of approximately RMB160.9 million (1H2021: RMB215.9 million), representing approximately 16.9% of the Group's total revenue (1H2021: 10.8%), and the New Jewellery Retail segment recorded a segment loss of approximately RMB3.1 million (1H2021: segment profit of approximately RMB28.3 million).

In 2016, the Group further expanded the downstream business by acquiring Shanghai Huatong Silver Exchange Company Limited* (上海華通鉑銀交易市場有限公司) ("Shanghai Huatong"), the operator of an integrated silver exchange platform in the PRC. For 1H2022, the Silver Exchange segment recorded a segment profit of approximately RMB3.5 million (1H2021: RMB19.1 million).

As disclosed in the announcements dated 31 December 2021 and 10 January 2022, CSMall Group obtained 51% effective ownership in Jiangsu Nongmuren Electronic Business Corp.* (江蘇農牧人電子商務股份有限公司) ("Jiangsu Nongmuren") with effect from 10 January 2022. The Group successfully tapped into the integrated online-and-offline sales of fresh food in the PRC and the provision of related electronic platforms and 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, which forms the Group's Fresh Food Retail segment. For 1H2022, the Fresh Food Retail segment recorded revenue of approximately RMB677.3 million, accounting for approximately 71.1% of the Group's total revenue. For 1H2022, the Fresh Food Retail segment recorded a segment loss of approximately RMB12.9 million. As of the end of June 2022, the number of "農牧人" ("Nongmuren", meaning farmers and herdsmen) terminals opened had reached more than 4,900. At present, the platform has been fully launched in Suzhou, Shanghai, Nanjing, Wuxi, Changzhou, Nantong and other cities, covering 14 cities in the PRC. It is still in the stage of rapid expansion. Since the official launch of the Nongmuren platform, the turnover has increased exponentially. In May and June 2022, the two cities of Suzhou and Nanjing separately achieved single-city operating profits. With the rapid business development, Nongmuren has further achieved economies of scale.

The Group recorded gross profit of approximately RMB34.5 million for 1H2022 (1H2021: RMB91.7 million), a significant decrease of approximately 62.4% as compared to that for 1H2021, mainly due to the decrease in revenue of the Manufacturing, New Jewellery Retail and Silver Exchange segments. The overall gross profit margin of the Group decreased from approximately 4.6% for 1H2021 to approximately 3.6% for 1H2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded loss attributable to owners of the Company of approximately RMB29.9 million for 1H2022 (1H2021: approximately RMB2,394.4 million). The significant year-on-year decrease was mainly attributable to the one-time write-off of inventories in the amount of approximately RMB2,408.5 million for 1H2021 as a result of certain of inventory of raw materials of Jiangxi Longtianyong Nonferrous Metals Co., Ltd.* (江西龍天勇有色金屬有限公司) (“**Jiangxi Longtianyong**”), a major subsidiary in the Manufacturing segment of the Group, being deemed to be hazardous waste and ordered to be disposed of (the “**Inventory Write-off**”), and the absence of the Inventory Write-off in 1H2022.

Excluding the effect of the Inventory Write-off, the Group would have recorded a profit attributable to owners of the Company of approximately RMB14.1 million for 1H2021. On this basis, the loss attributable to owners of the Company of approximately RMB29.9 million for 1H2022 would represent a year-on-year turnaround from profit to loss, which was mainly attributable to the following factors:

- (i) in respect of the Group’s Manufacturing Segment, the amount of external sales for 1H2022 was significantly lower than that for 1H2021 due to Jiangxi Longtianyong’s suspension of production since 26 April 2021 and partial resumption of production on a commercial scale only since mid June 2022, while certain fixed costs not dependent on the level of production were incurred during both 1H2021 and 1H2022;
- (ii) in respect of the Group’s New Jewellery Retail segment operated under CSMall, the volume of sales for 1H2022 was lower than that for 1H2021 primarily due to the resurgence of COVID-19 in various parts of China in March to June 2022, which resulted in temporary business suspensions and further weakened consumer sentiment in China;
- (iii) in respect of the Group’s Silver Exchange segment, the trading volume for 1H2022 decreased, and hence the commission income was lower than that for 1H2021, which was primarily due to the resurgence of COVID-19 and the resulting stringent prevention and control measures implemented in various parts of China in March to June 2022, which reduced commodity investors’ eagerness and willingness to trade; and
- (iv) in respect of the Group’s Fresh Food Retail segment operated under CSMall, which began to be consolidated as a non-wholly-owned subsidiary of CSMall and of the Company on 10 January 2022, its “Nongmuren” S2B2C (supply chain to business to customer) platform was still in an expansion stage with a focus on expanding the network of collaborative franchise stores and had not started to generate a net profit during 1H2022.

Manufacturing Segment

Between 23 April 2021 and 20 May 2021, the Ji’an City Yongfeng Ecology and Environment Bureau* (吉安市永豐生態環境局)(the “**Bureau**”) issued two administrative penalty notices and a rectification notice (collectively, the “**Notices**”) to Jiangxi Longtianyong, a wholly-owned subsidiary of the Company. Pursuant to the Notices, the Bureau has ordered Jiangxi Longtianyong to suspend its production activities from 26 April 2021 onwards pending completion of certain rectification measures.

According to the Notices, between 22 April 2021 and 8 May 2021, the Central Ecological and Environmental Protection Inspection Group (中央生態環境保護督察組) and the Bureau inspected Jiangxi Longtianyong’s premises and found that the production and storage facilities of Jiangxi Longtianyong had been in contravention of certain national environmental laws.

MANAGEMENT DISCUSSION AND ANALYSIS

As a result of the aforesaid contraventions, the Bureau ordered Jiangxi Longtianyong to carry out certain rectification works on its production and storage facilities. Jiangxi Longtianyong had been closely communicating with the Bureau since the end of April 2021 with a view to reach an understanding on the rectification measures required to be implemented in order to restore Jiangxi Longtianyong's production. In addition, Jiangxi Longtianyong engaged an environmental specialist to provide recommendations on the appropriate rectification measures to address the Bureau's concerns.

These rectification measures included (i) the disposal of certain hazardous waste stored in production workshops and warehouses; and (ii) the demolition of certain existing non-compliant facilities and construction of certain new compliant facilities according to the recommendations of the environmental specialist and with the approval of the competent governmental authorities.

On 24 August 2021, the local environmental protection authority notified Jiangxi Longtianyong that, following the adoption of rectification measures by Jiangxi Longtianyong, such as the demolition of non-compliant facilities and construction of compliant facilities, the relevant authorities had approved in principle the resumption of production of Jiangxi Longtianyong's silver electrolysis production line (the "**Silver Electrolysis Production Line**").

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

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

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

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

Jiangxi Longtianyong will continue to closely communicate with the relevant governmental authorities to achieve the final acceptance of the Project, and will also continue with the installation, testing and trial run of facilities for the production of products such as tin and lead. The Company will make further announcement(s) as necessary and when appropriate to keep shareholders informed of the latest progress.

MANAGEMENT DISCUSSION AND ANALYSIS

New Jewellery Retail Segment Operated under CSmall Group (stock code: 1815)

During 1H2022, the New Jewellery Retail segment recorded sales of approximately RMB160.9 million (1H2021: RMB215.9 million), representing a decrease of approximately 25.5% as compared to that for 1H2021.

In 1H2022, COVID-19 hit many places in the PRC again. In light of the large-scale outbreak of the epidemic in a number of cities such as consumption centers including Beijing, Shenzhen and Shanghai, the epidemic prevention and control measures were upgraded in many places, which had a serious impact on the consumer market. In particular, the epidemic control in Shanghai during the recent wave of the epidemic since March 2022 had a profound impact on the economy, business and consumers of the PRC.

Provide customers with a multi-dimensional one-stop shopping experience



MANAGEMENT DISCUSSION AND ANALYSIS

Online Sales Channels

(1) Third-party online sales channels

In 1H2022, 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 online celebrity (KOL) promotion. In 1H2022, our third-party online platforms included JD.com (京東), Suning (蘇寧), Tmall (天貓), WeChat (微信), Tik Tok (抖音) and Xiaohongshu (小紅書) and 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 promotion and KOL promotion is a standard part of our brand marketing. Their content becomes the core of every aspect of our brand marketing, sales and operation.

(2) Self-operated online platform

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

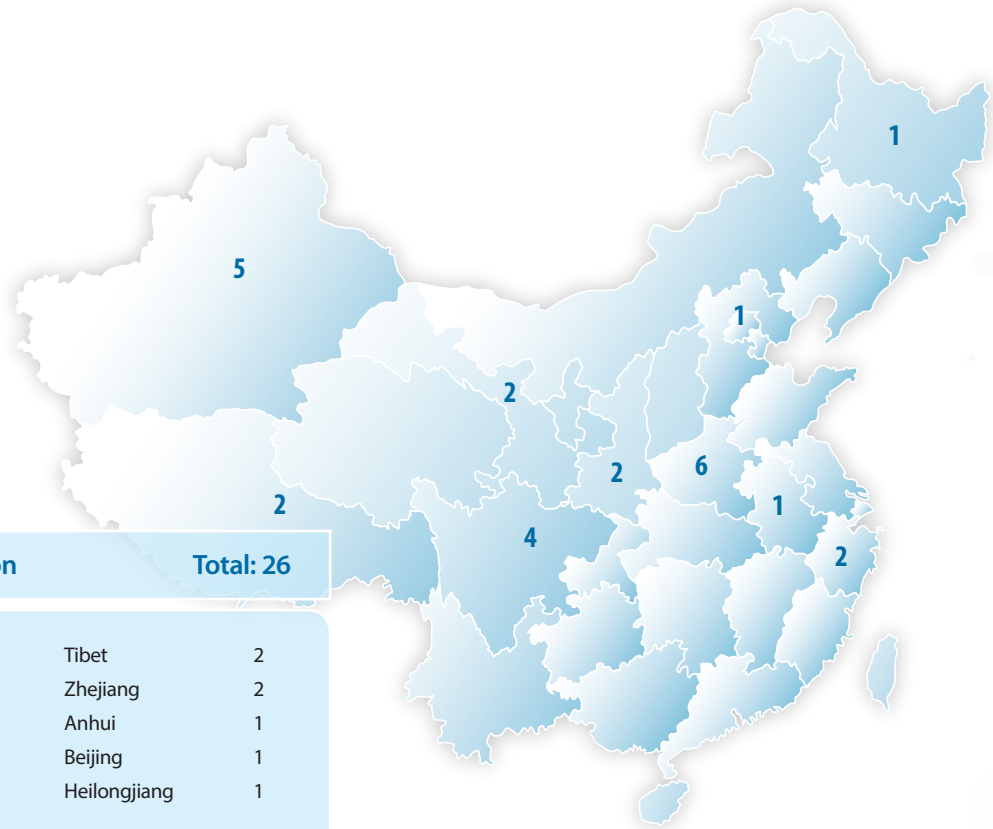


MANAGEMENT DISCUSSION AND ANALYSIS

Offline Retail and Service Network

(1) 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. For the six months ended 30 June 2022, due to the impact of the COVID-19 on offline retail, the Group slowed down the expansion plan of offline stores and adjusted the layout of offline business outlet by closing 15 stores and opening 3 new stores. As of 30 June 2022, we had 26 CSmall Shops located in 10 provinces and municipalities in the PRC, consisting of 1 self-operated CSmall Shops and 25 franchised CSmall Shops with presence in Anhui, Beijing, Gansu, Heilongjiang, Henan, Shaanxi, Sichuan, Tibet, Xinjiang and Zhejiang.



Shops Distribution		Total: 26	
Henan	6	Tibet	2
Xinjiang	5	Zhejiang	2
Sichuan	4	Anhui	1
Gansu	2	Beijing	1
Shaanxi	2	Heilongjiang	1



MANAGEMENT DISCUSSION AND ANALYSIS

(2) Shenzhen Exhibition Hall

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



(3) Third-party offline points of sale

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

MANAGEMENT DISCUSSION AND ANALYSIS

Fresh Food Retail Segment Operated under CSmall Group

The Fresh Food Retail segment as newly invested by the Group is mainly the developer and operator of the “Nongmuren” S2B2C platform officially launched in May 2021, which conducts integrated online-and-offline sales of fresh food in the PRC, and provides related electronic platforms and branding and SaaS (software as a service) services to enterprises along the agricultural supply chain as well as small and medium-sized businesses in the PRC. During the epidemic, the Nongmuren Shopkeeper program identified the pain points in the market, and based on years of experience in the study of live pigs in the field of agriculture, the Nongmuren Shopkeeper program used the S2B2C (supply chain-merchants-customers) platform to digitize and intelligentize the traditional agricultural product industry. By empowering shopkeepers such as traditional stores and farmers markets in the front-end market, supply chain servitization was achieved, and digital management of stores was realized through servitization. The platform solved the problems of supply quality and supply service capability of the upstream supply chain, and formed a stable closed-loop transaction model through the transformation of the traditional transaction model. To satisfy the needs of merchants and stores, the Nongmuren Shopkeeper program realized the comprehensive integration of online services and offline scenarios, which increased the number of users and comprehensively improved user experience. It aims to empower merchants through digital operation capabilities and help them achieve all-round digital upgrades in terms of payment, management, operation, membership and marketing. It not only provides merchants with integrated payment and collection tools, but also provides merchants with all-round business solutions such as digital store management, membership management, financial services, supply chain docking, and targeted marketing. As of the end of June 2022, the number of Nongmuren terminals opened had reached more than 4,900. At present, the platform has been fully launched in Suzhou, Shanghai, Nanjing, Wuxi, Changzhou, Nantong and other cities.



MANAGEMENT DISCUSSION AND ANALYSIS

Silver Exchange Segment

Shanghai Huatong is the operator of an integrated silver exchange platform in the PRC which provides professional and standardized spot goods supply, trading, logistic and e-commerce services. Its official website, www.buyyin.com, has been one of the authoritative web portals for the silver industry in the PRC. The daily spot silver prices quoted by www.buyyin.com are the general reference prices for the silver industry in the PRC.



MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

Under the influence of factors such as the continued raging of COVID-19, which has profoundly affected people's lives, the continued escalation of geopolitical conflicts, and the increased risk of recession of the global economy, the Group will not only continue to consolidate its industry position in the precious metal manufacturing business, but also explore and consider suitable business opportunities inside and outside the industry in a timely manner to diversify its business risks. In order to give emphasis to business sustainability and strive to maintain a higher standard of business practices in terms of environmental protection, the Group has been upgrading and rectifying production facilities to achieve clean production of tin and precious metals (including gold, silver and palladium). The Company's rectification measures have been completed, and the production activities of Jiangxi Longtianyong have been substantially resumed since 25 August 2022.

The New Jewellery Retail segment and the Fresh Food Retail segment are both new empowerments for traditional industries through digital marketing. For the Fresh Food Retail segment, Nongmuren Meat Shopkeeper (農牧人肉掌櫃) stores will be operated in a refined manner. A complete digital system covering pig farming to pork sales in community stores will be provided through S2B2C/F2B2C: each city will have an independent management system that encompasses store renovation, cash register system, electronic scales and other hardware and software facilities. For the New Jewellery Retail segment, the Group will continue to slow down the expansion of offline stores and will further leverage the huge traffic of third-party platforms to generate more output through the jewellery live streaming ecosystem. It will continue to rely on social big data to realize the digital transformation of business marketing scenarios such as consumer insight, market positioning and advertisement delivery optimization. The Group will still be optimistic about the room for appreciation and market potential of colored gemstones. Due to the scarcity and the properties of value preservation and appreciation of rubies, the Group will carefully consider the sales strategy. The Group will gradually expand the sales market, and rubies will usher in a long-term and stable price increase. We expect a moderate increase in market consumption in the PRC in the second half of the year. The economic stabilization and recovery, the successive implementation of consumption promotion policies, more flexible epidemic control, increased consumer sentiment, improved employment situation and other positive factors in the second half of the year are expected to support consumption recovery in a future period of time.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue of the Group for 1H2022 was approximately RMB952.3 million (1H2021: RMB1,990.1 million), representing a decrease of approximately 52.1% from that of 1H2021.

	1H2022		1H2021	
	Revenue RMB'000 (unaudited)	% of revenue (unaudited)	Revenue RMB'000 (unaudited)	% of revenue (unaudited)
Manufacturing segment				
Sale of silver ingots	102,020	10.7%	161,325	8.1%
Sale of palladium	–	–	1,448,152	72.8%
Sale of lead ingots, zinc oxide and other metal by-products	–	–	139,181	7.0%
	102,020	10.7%	1,748,658	87.9%
Segments operated under CSmall Group				
New Jewellery Retail segment				
Sale of gold, silver, colored gemstones and gem-set and other jewellery products	160,949	16.9%	215,907	10.8%
Fresh Food Retail segment				
Sale of fresh food products	677,337	71.1%	–	–
	838,286	88.0%	215,907	10.8%
Silver Exchange segment				
Commission income	12,012	1.3%	25,524	1.3%
Total	952,318	100%	1,990,089	100%

Manufacturing segment

Sales of silver ingot decreased from approximately RMB161.3 million for the 1H2021 to approximately RMB102.0 million for 1H2022, representing a decrease of approximately 36.8% from that of 1H2021. The Group did not record any sale of palladium and other metal by-products such as lead ingot and zinc oxide (1H2021: RMB1,448.2 million and RMB139.2 million).

The overall decrease in sales was mainly because of Jiangxi Longtianyong's suspension of production since 26 April 2021. According to the Company's announcement on 17 June 2022, Longtianyong had resumed the production activities of its silver electrolysis production line on a commercial scale since mid June 2022. The sales during the period represented the sales generated from silver trading business.

MANAGEMENT DISCUSSION AND ANALYSIS

New Jewellery Retail segment operated under CSMall Group

During 1H2022, the New Jewellery Retail segment under CSMall Group recorded sales of approximately RMB160.9 million (1H2021: RMB215.9 million), representing a decrease of approximately 25.5% as compared to that for 1H2021. The decrease was due to the resurgence of COVID-19 in various parts of China in March to June 2022, which resulted in temporary business suspensions and further weakened consumer sentiment in China.

Fresh Food Retail segment operated under CSMall Group

During 1H2022, a new segment under CSMall Group, the Fresh Food Retail segment, which conducts integrated online-and-offline sales of fresh food in the PRC, and provides related electronic platforms and branding and SaaS (software as a service) services to enterprises along the agricultural supply chain as well as small and medium-sized businesses in the PRC, recorded sales of approximately RMB677.3 million (1H2021: nil).

Silver Exchange segment

During 1H2022, the Silver Exchange segment recorded sales of approximately RMB12.0 million (1H2021: RMB25.5 million), representing a decrease of approximately 52.9% as compared to 1H2021, mainly due to the resurgence of COVID-19 and the resulting stringent prevention and control measures implemented in various parts of China in March to June 2022, which reduced commodity investors' eagerness and willingness to trade and resulted in a decrease in transaction volume.

Cost of Sales and Services Provided

Manufacturing segment

Cost of sales mainly represents the cost of raw materials consumed, purchase cost of silver, direct labor and manufacturing overhead. Cost of raw materials consumed and purchase cost of silver accounted for over 90% of cost of sales during the current period. The purchase cost of raw materials is determined by the content levels of silver, lead and palladium at market prices at the time of purchase; other types of minerals or metals are generally not taken into account when determining the purchase price. The amount decreased mainly due to the decrease in sales volume during 1H2022.

New Jewellery Retail segment operated under CSMall Group

Cost of sales mainly represents cost of materials used for the production of gold, silver and jewellery products. Except for silver, materials like gold, amber and diamond are sourced from independent third parties.

Fresh Food Retail segment operated under CSMall Group

Cost of sales mainly represents the cost of purchasing fresh food products from the upstream wholesale suppliers (for example, farms) and other direct distribution cost.

Silver Exchange segment

Cost of sales and services provided mainly represents direct expenses incurred for trading of silver and the operation of the online exchange platform.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

The Group recorded gross profit of approximately RMB34.5 million for 1H2022 (1H2021: RMB91.7 million), a significant decrease of approximately 62.4% as compared to that for 1H2021, mainly due to the decrease in the revenue in the Manufacturing, New Jewellery Retail and Silver Exchange segments. The overall gross profit margin decreased from approximately 4.6% for 1H2021 to approximately 3.6% for 1H2022.

Selling and Distribution Expenses

Selling and distribution expenses significantly increased by approximately 105.6% from approximately RMB10.5 million to approximately RMB21.5 million for 1H2022, mainly because the new Fresh Food Retail segment incurred such expenses of approximately RMB11.7 million during the current period whereas the Group did not have such segment during 1H2021.

Administrative Expenses

Administrative expenses increased by approximately 9.2% from approximately RMB40.5 million for 1H2021 to approximately RMB44.2 million for 1H2022. The increase was primarily attributable to the reclassification of indirect production costs to administrative expenses in the Manufacturing segment due to the suspension of production and the incurrence of additional administrative expenses.

Write-off of Inventories/Impairment loss recognised in respect of Property, Plant and Equipment

Between 23 April and 20 May 2021, the Ji'an City Yongfeng Ecology and Environment Bureau (吉安市永豐生態環境局) (the "Bureau") issued two administrative penalty notices and a rectification notice (collectively, the "Notices") to Jiangxi Longtianyong, a wholly-owned subsidiary of the Company. According to the Notices, the Bureau inspected Jiangxi Longtianyong's premises and found that the production and storage facilities of Jiangxi Longtianyong had been in contravention of certain national environmental laws and has ordered Jiangxi Longtianyong to suspend its production activities from 26 April 2021 onwards pending completion of certain rectification measures. These rectification measures included (i) the disposal of certain hazardous waste stored in production workshops and warehouses; and (ii) the demolition of certain existing non-compliant facilities and construction of certain new compliant facilities according to the recommendations of the environmental specialist and with the approval of the competent governmental authorities.

In regard to the rectification measure of disposal of hazardous waste stored in production workshops and warehouses, certain of Jiangxi Longtianyong's inventory of raw materials which has previously been refined for production purposes has been deemed to be hazardous waste pursuant to the Notices and was ordered to be disposed of. Accordingly, a write-off of inventories of approximately RMB2,408.5 million was recorded for 1H2021. There was no such amount for 1H2022.

In regard to the rectification measure of demolition of non-compliant facilities and construction of compliant facilities, certain plant and equipment were demolished and impaired. Accordingly, an impairment loss on property, plant and equipment of approximately RMB6.8 million was recorded for 1H2021. There was no such amount for 1H2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Credit (Expense)

Income tax expenses decreased by approximately 103.2% from approximately RMB14.2 million for 1H2021 to income tax credit of approximately RMB0.4 million for 1H2022 mainly due to the decrease in assessable profit and the overprovision of PRC Enterprise Income Tax in prior year.

Loss Attributable to Owners of the Company

The Group recorded loss attributable to owners of the Company of approximately RMB29.9 million for 1H2022 (1H2021: approximately RMB2,394.4 million). The significant year-on-year decrease was mainly attributable to the one-time write-off of inventories in the amount of approximately RMB2,408.5 million for 1H2021 as a result of the Inventory Write-off of Jiangxi Longtianyong and the absence of the Inventory Write-off in 1H2022.

Excluding the effect of the Inventory Write-off, the Group would have recorded a profit attributable to owners of the Company of approximately RMB14.1 million for 1H2021. On this basis, the loss attributable to owners of the Company of approximately RMB29.9 million for 1H2022 would represent a year-on-year turnaround from profit to loss. Please refer to the Business Review for details.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group's inventories mainly comprise silver bars, colored gemstones, jewellery products, gold bars and fresh food products. For 1H2022, inventory turnover days were approximately 208.0 days (for the year ended 31 December 2021: 306.2 days). The decrease was mainly due to the significant decrease in cost of goods sold from the Manufacturing segment which was partially set off by the increase in the Fresh Food Retail segment.

The turnover days for trade receivables for 1H2022 were approximately 8.8 days (for the year ended 31 December 2021: 9.4 days). The decrease was mainly due to the decrease in trade receivables for 1H2022.

The turnover days for trade payables for 1H2022 were approximately 13.1 days (for the year ended 31 December 2021: 13.8 days).

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

As of 30 June 2022, the Group's bank borrowings balance amounted to approximately RMB450.0 million (as of 31 December 2021: RMB230.0 million). The amounts are secured by: (i) certain assets of the Group; (ii) personal guarantee and properties held by Mr. Chen Wantian and Ms. Zhou Peizhen; (iii) corporate guarantee and certain assets of a supplier and independent third parties; and will be due for repayment within one year. Among them, approximately RMB227.0 million was carried at fixed interest rates, and approximately RMB223.0 million was carried at floating interest rates.

The Group's net gearing ratio was calculated on the basis of total bank borrowings less bank balances and cash as a percentage of total equity. As of 30 June 2022, the Group was in a net cash position with a net gearing ratio of approximately -18.6% (as of 31 December 2021: -7.0%).

Pledge of Assets

At the end of the reporting period, assets with the following carrying amounts were pledged to secure its general banking facilities.

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
– Property, plant and equipment	58,135	67,415
– Leasehold lands (included in right-of-use assets)	16,175	16,326
– Pledged bank deposits	89,900	40,000
	164,210	123,741

Capital Expenditures

For 1H2022, the Group invested approximately RMB4.1 million in property, plant and equipment (1H2021: RMB22.7 million).

Capital Commitments

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	7,259	9,099

Contingent Liabilities

As at 30 June 2022 and 31 December 2021, the Group did not have any contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees

As of 30 June 2022, the Group employed 366 staff members (as of 31 December 2021: 289 staff members) and the total remuneration for 1H2022 amounted to approximately RMB20.8 million (1H2021: RMB17.5 million). The Group's remuneration packages are in line with the current legislation in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

Liquidity and Financial Resources

The Group was principally financed by internal resources, net proceeds received from the subscriptions by three investors for new shares of the Company in 1H2022 (the "Subscriptions") and bank borrowings. The Group's principal financing instruments comprise bank balances and cash, pledged bank deposits, restricted bank balances, trade and other receivables, trade, bills and other payables and bank borrowings. As of 30 June 2022, the bank balances and cash, net current assets and total assets less current liabilities were approximately RMB702.9 million (as of 31 December 2021: RMB316.8 million), RMB1,101.6 million (as of 31 December 2021: RMB980.3 million) and RMB1,383.5 million (as of 31 December 2021: RMB1,261.4 million), respectively.

Interim Dividend

The board of directors (individually, a "Director", or collectively, the "Board" or the "Directors") has resolved not to declare an interim dividend for 1H2022 (1H2021: nil).

Capital Structure

During the period, the Company issued a total of 325,680,117 shares upon completion of the Subscriptions on 7 April 2022. As disclosed in the Company's announcements dated 23 February 2022, 29 March 2022 and 7 April 2022, three independent subscribers, subscribed for a total of 325,680,117 new shares of HK\$0.01 each at a subscription price of HK\$0.59 per subscription share. As at 30 June 2022, the Company had 1,954,080,706 shares in issue and a paid-up capital of approximately HK\$19,540,807 or approximately RMB15,934,925.

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

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

On 31 December 2021, Shenzhen Guojintongbao Company Limited* (深圳國金通寶有限公司) ("Shenzhen Guojintongbao", a wholly-owned subsidiary of CS Mall Group and a non-wholly-owned subsidiary of the Group), Bric (Suzhou) Agriculture Information Technology Co., Ltd.* (布瑞克(蘇州)農業互聯網股份有限公司) ("Bric Suzhou", as an existing shareholder of the Target Company), 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 a 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 of which the first installment of RMB6,000,000 shall be paid on or before 10 January 2022 and the second installment of RMB20,000,000 shall be paid on or before 31 May 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

On 10 January 2022, the Group made the first installment of capital injection in an amount of RMB6,000,000 to the Target Company. On 2 April 2022, the Group made a further capital injection of RMB3,000,000 out of the second installment of RMB20,000,000 to the Target Company. Since the Target Company's pace of business expansion during 1H2022 was slowed down by the resurgence of COVID-19 in various parts of China in March to June 2022, the Group has not made the remaining RMB17,000,000 out of the second installment of capital injection as at the date of this report, and the exact timing of making such capital injection will depend on the Target Company's actual funding needs.

Incorporated in 2015, the Target Company is the developer and operator of the Nongmuren S2B2C platform officially launched in May 2021, which conducts integrated online-and-offline sales of fresh food in the PRC, and provides related electronic platforms and branding and 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) took place accordingly. Immediately upon completion, the Target Company is consolidated as a non-wholly-owned subsidiary of CS Mall Group with 51% effective ownership, and is in turn also consolidated as a non-wholly-owned subsidiary of the Group. Further details of the transaction are set out in the joint announcements dated 31 December 2021 and 10 January 2022.

Save as disclosed above, the Group did not hold any significant investment nor carry out any significant acquisition and disposal of subsidiaries, associates and joint ventures, nor was there any plan for other significant investment or acquisition of capital assets in the future during 1H2022.

Use of Proceeds from the Subscriptions

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

The net proceeds received from the Subscriptions had been used as follows during the six months ended 30 June 2022:

	Net proceeds received from the Subscriptions RMB'000	Amount used between 7 April 2022 and 30 June 2022 RMB'000	Unused amount as at 30 June 2022 RMB'000
Rectification works on the production and other facilities	21,740	(1,401)	20,339
Procurement of raw materials	72,346	–	72,346
Repayment of certain bank borrowings	30,000	(30,000)	–
General working capital	31,022	–	31,022
Total	155,108	(31,401)	123,707

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Events After the Reporting Period

As part of the efforts to fully resume production activities at Jiangxi Longtianyong, Jiangxi Longtianyong had been working to upgrade and enhance its production facilities for the clean production of tin and precious metals (including gold, silver and palladium) (the “Project”). As of the announcement dated 17 June 2022 (“June 2022 Announcement”), the environmental impact report for the Project (the “Report”) was under further evaluation by the Ecological and Environmental Monitoring Center of Jiangxi Province (江西省生態環境監測中心) (the “Provincial Monitoring Center”) directly under the Department of Ecology and Environment of Jiangxi Province (江西省生態環境廳) (the “Provincial Department”) for the issuance of an evaluation opinion, and would undergo further review by the Provincial Department and then pre-approval public inspection before it could be formally approved by the relevant governmental authorities.

As disclosed in the announcement dated 26 August 2021, Jiangxi Longtianyong was notified on 24 August 2021 that the relevant governmental authorities had approved in principle the resumption of production of Jiangxi Longtianyong’s silver electrolysis production line (the “Silver Electrolysis Production Line”).

As disclosed in the announcement dated 22 February 2022 and the June 2022 Announcement, in parallel with the aforesaid environmental impact assessment process, Jiangxi Longtianyong had been constructing the production facilities for the Project, and had practically resumed the production activities of the Silver Electrolysis Production Line on a commercial scale since mid-June 2022.

Subsequent to the June 2022 Announcement, the Report has undergone multiple rounds of pre-approval public inspection during late June to mid-July 2022, and an evaluation opinion from the Provincial Monitoring Center has been received. Afterwards, the Report has been formally approved by the Provincial Department on 27 July 2022. Although there will be continuous monitoring, supervision and possible further rectification works before the final acceptance of the Project, it is expected that these post-approval procedures would not impede Jiangxi Longtianyong’s resumption of operation of the Silver Electrolysis Production Line and the Palladium Sponge Production Line (defined below). Jiangxi Longtianyong has continued with the construction works for the Project, among which it has completed the installation of facilities for the production of palladium sponge (a type of high-purity palladium product) from raw palladium (the “Palladium Sponge Production Line”). Following the aforesaid formal approval of the Report, Jiangxi Longtianyong has conducted continuous testing and trial run of the Palladium Sponge Production Line, and the Palladium Sponge Production Line has been officially put into operation on a commercial scale since 25 August 2022. In addition to silver and palladium, it is expected that, on the basis of the approval of the Report, the production of certain other products such as tin and lead will resume after the installation, testing and trial run of the relevant production facilities.

Jiangxi Longtianyong will continue to closely communicate with the relevant governmental authorities to achieve the final acceptance of the Project, and will also continue with the installation, testing and trial run of facilities for the production of products such as tin and lead. The Company will make further announcement(s) as necessary and when appropriate to keep shareholders informed of the latest progress.

On behalf of the Board

Chen Wantian

Chairman

Hong Kong, 30 August 2022

* *For identification purpose only*

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Interests in Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares ¹	Approximate percentage of interest in our Company
Mr. Chen Wantian	Interest in controlled corporation ²	405,722,187	20.76%
	Beneficial interest ²	5,700,000	0.29%
Mr. Song Guosheng	Beneficial interest ³	956,797	0.05%

Notes:

- All interests are long positions.
- Mr. Chen Wantian is deemed to be interested in 405,722,187 Shares owned by Rich Union Enterprises Limited as the legal owner of the entire issued share capital of Rich Union Enterprises Limited. Mr. Chen Wantian was granted share options to subscribe for 4,650,000 Shares, details of which are disclosed under the paragraph headed "Share Option Schemes" below. Further, Mr. Chen Wantian is the beneficial owner of 1,050,000 Shares.
- Mr. Song Guosheng was granted share options to subscribe for 500,000 Shares, details of which are disclosed under the paragraph headed "Share Option Schemes" below. Further, Mr. Song Guosheng is the beneficial owner of 456,797 Shares.

(ii) Interests in shares of CSMall Group, an associated corporation of the Company

Name of Director	Capacity/Nature of interest	Number of Shares ¹	Approximate percentage of interest in CSMall Group
Mr. Chen Wantian	Interest in controlled corporation ²	10,462,036	0.85%
	Beneficial interest ²	17,500	0.00%

Notes:

- All interests are long positions.
- Mr. Chen Wantian is deemed to be interested in 10,462,036 shares of CSMall Group owned by Rich Union Enterprises Limited as the legal owner of the entire issued share capital of Rich Union Enterprises Limited. Further, Mr. Chen Wantian is the beneficial owner of 17,500 shares of CSMall Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as of 30 June 2022, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as known to the Directors, the register of substantial shareholders required to be kept by our Company under Section 336 of Part XV of the SFO shows that as of 30 June 2022, in addition to the interests disclosed under the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, our Company was notified of the following substantial shareholders' interests and short positions in the Shares and underlying Shares, being interests of 5% or more.

Interests in Shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of Shares ¹	Approximate percentage of interest in our Company
Mr. Liu Junjie (劉君杰)	Beneficial owner	138,414,050	7.08%
Mr. Chen Xiyin (陳錫銀)	Beneficial owner	138,415,717	7.08%
Pandanus Associates Inc.	Interest in controlled corporation ²	122,854,000	6.29%
Pandanus Partners L.P.	Interest in controlled corporation ²	122,854,000	6.29%
FIL Limited	Interest in controlled corporation ²	122,854,000	6.29%

Notes:

1. All interests are long positions.
2. Pandanus Associates Inc. is a general partner of Pandanus Partners L.P., which owns or controls approximately 37.01% of the voting rights in FIL Limited, which in turn is interested in 122,854,000 Shares through various wholly-owned subsidiaries.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as of 30 June 2022, our Company had not been notified by any person or corporation who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by our Company under Section 336 of Part XV of the SFO.

SHARE OPTION SCHEMES

The Company adopted a share option scheme on each of 5 December 2012 (the “2012 Scheme”) and 21 April 2015 (the “2015 Scheme”; together with the 2012 Scheme, the “Share Option Schemes”) respectively. The purpose of the Share Option Schemes is to reward participants who have contributed to our Group and to encourage participants to work towards enhancing the value of our Group.

Details of the movement of the share options granted under the 2012 Scheme during the six months ended 30 June 2022 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1 January 2022	Exercised during the period	Lapsed during the period	Outstanding as of 30 June 2022
Directors							
Mr. Chen Wantian	3 July 2013	HK\$0.96	3 July 2014 – 2 July 2023	2,450,000	–	–	2,450,000
	20 August 2014	HK\$2.20	20 August 2015 – 19 August 2024	2,200,000	–	–	2,200,000
Mr. Song Guosheng	20 August 2014	HK\$2.20	20 August 2015 – 19 August 2024	500,000	–	–	500,000
Employees							
In aggregate	20 August 2014	HK\$2.20	20 August 2015 – 19 August 2024	21,000,000	–	–	21,000,000
	2 January 2015	HK\$1.80	2 January 2016 – 1 January 2025	44,800,000	–	–	44,800,000
				70,950,000	–	–	70,950,000

The total number of Shares available for issue under the 2012 Scheme is 70,950,000, representing approximately 3.63% of the Company’s issued share capital as of 30 June 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Details of the movement of the share options granted under the 2015 Scheme during the six months ended 30 June 2022 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1 January 2022	Exercised during the period	Lapsed during the period	Outstanding as of 30 June 2022
Employees							
In aggregate	27 August 2015	HK\$1.97	27 August 2016 – 26 August 2025	81,000,000	–	–	81,000,000
				81,000,000	–	–	81,000,000

The total number of Shares available for issue under the 2015 Scheme is 81,000,000, representing approximately 4.15% of the Company's issued share capital as of 30 June 2022.

Notes:

- The closing price per Share immediately before 3 July 2013, 20 August 2014, 2 January 2015 and 27 August 2015 (the dates on which the share options were granted) was HK\$0.95, HK\$2.20, HK\$1.80 and HK\$1.87 respectively.
- Share options granted under the 2012 Scheme on 3 July 2013 are exercisable during the period from 3 July 2014 to 2 July 2023 in three batches, being:
 - 3 July 2014 to 2 July 2023 (up to 30% of the share options granted are exercisable)
 - 3 July 2015 to 2 July 2023 (up to 60% of the share options granted are exercisable)
 - 3 July 2016 to 2 July 2023 (all share options granted are exercisable)

Share options granted under the 2012 Scheme on 20 August 2014 are exercisable during the period from 20 August 2015 to 19 August 2024 in three batches, being:

 - 20 August 2015 to 19 August 2024 (up to 30% of the share options granted are exercisable)
 - 20 August 2016 to 19 August 2024 (up to 60% of the share options granted are exercisable)
 - 20 August 2017 to 19 August 2024 (all share options granted are exercisable)

Share options granted under the 2012 Scheme on 2 January 2015 are exercisable during the period from 2 January 2016 to 1 January 2025 in three batches, being:

 - 2 January 2016 to 1 January 2025 (up to 30% of the share options granted are exercisable)
 - 2 January 2017 to 1 January 2025 (up to 60% of the share options granted are exercisable)
 - 2 January 2018 to 1 January 2025 (all share options granted are exercisable)
- Share options granted under the 2015 Scheme on 27 August 2015 are exercisable during the period from 27 August 2016 to 26 August 2025 in two batches, being:
 - 27 August 2016 to 26 August 2025 (up to 50% of the share options granted are exercisable)
 - 27 August 2017 to 26 August 2025 (all share options granted are exercisable)

CORPORATE GOVERNANCE AND OTHER INFORMATION

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. As at the date of this report, the Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules. During 1H2022, the Company had complied with the code provisions under the CG Code, except for the following deviations:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation of Mr. Sung Kin Man, former chief executive officer of the Company, on 1 January 2019, Mr. Chen Wantian has served as both the chairman and the chief executive officer of the Company. The Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer of the Company in due course after taking into account of the then overall circumstances of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry with all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during 1H2022.

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 1H2022.

AUDIT COMMITTEE

The Board established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. Under Rule 3.21 of the Listing Rules, a majority of the members of the Audit Committee should be independent non-executive directors and the audit committee should be chaired by an independent non-executive director. The Audit Committee comprises all three independent non-executive Directors namely, Dr. Zeng Yilong (Chairman), Mr. Song Hongbing and Dr. Li Haitao . The primary responsibilities of the Audit Committee are to review and supervise the financial reporting processes and risk management and internal control systems of the Group.

The Audit Committee has reviewed the financial reporting processes and risk management and internal control systems of the Group and the unaudited condensed consolidated financial statements for the six months ended 30 June 2022. The Audit Committee is of the opinion that these unaudited condensed consolidated financial statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

CORPORATE GOVERNANCE AND OTHER INFORMATION

NOMINATION COMMITTEE

The Board established a nomination committee (the “**Nomination Committee**”) with written terms of reference in compliance with the CG Code. Under Rule 3.27A of the Listing Rules, a majority of the members of the nomination committee should be independent non-executive directors and the nomination committee should be chaired by the chairman of the Board or an independent non-executive director. The Nomination Committee comprises Mr. Chen Wantian (Chairman), Mr. Song Hongbing and Dr. Li Haitao, with the latter two being independent non-executive Directors.

The Nomination Committee considers and recommends to the Board suitably qualified persons to become Directors and is responsible for reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company’s corporate strategies in accordance with the Board Diversity Policy and Director Nomination Policy of the Company.

REMUNERATION COMMITTEE

The Board established a remuneration committee (the “**Remuneration Committee**”) with written terms of reference in compliance with the CG Code. Under Rule 3.25 of the Listing Rules, a majority of the members of the remuneration committee should be independent non-executive directors and the remuneration committee should be chaired by an independent non-executive director. The Remuneration Committee comprises Dr. Li Haitao (Chairman), Mr. Chen Wantian and Mr. Song Hongbing, among whom Dr. Li Haitao and Mr. Song Hongbing are independent non-executive Directors.

The primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the remuneration packages of the Directors and senior management personnel of the Group and to ensure that no Director or any of his associates is involved in deciding his own remuneration.

APPENDIX 16 TO THE LISTING RULES

According to paragraph 40 of Appendix 16 to the Listing Rules headed “Disclosure of Financial Information”, save as disclosed in this interim report, the Company confirms that the Company’s current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the Company’s 2021 annual report.

On behalf of the Board

Chen Wantian

Chairman

Hong Kong, 30 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4	952,318	1,990,089
Cost of sales and services provided		(917,852)	(1,898,369)
Gross profit		34,466	91,720
Other income		3,326	4,724
Other gains and losses		(3,423)	(65)
Write-off of inventories	11	–	(2,408,511)
Selling and distribution expenses		(21,483)	(10,451)
Administrative expenses		(44,222)	(40,483)
Research and development expenses		(539)	(1,001)
Other expenses		(3,561)	(1,550)
(Provision for) reversal of impairment loss under expected credit loss model, net	13	(309)	10,058
Impairment loss recognised in respect of property, plant and equipment	9	–	(6,800)
Finance costs		(7,191)	(6,139)
Loss before tax		(42,936)	(2,368,498)
Income tax credit (expense)	5	457	(14,210)
Loss for the period	6	(42,479)	(2,382,708)
Other comprehensive expense			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on investment in an equity instrument at fair value through other comprehensive income ("FVTOCI")		(14)	(16)
Total comprehensive expense for the period		(42,493)	(2,382,724)
(Loss) profit for the period attributable to:			
Owners of the Company		(29,948)	(2,394,372)
Non-controlling interests		(12,531)	11,664
		(42,479)	(2,382,708)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(29,962)	(2,394,388)
Non-controlling interests		(12,531)	11,664
		(42,493)	(2,382,724)
Loss per share	8	RMB	RMB
Basic		0.02	1.47
Diluted		0.02	1.47

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	NOTES	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	134,277	141,790
Right-of-use assets	9	21,525	23,777
Goodwill	22	14,223	–
Intangible assets	9	91,506	97,208
Deferred tax assets		7,686	8,626
Refundable rental deposits		706	996
Equity instrument at FVTOCI		7,363	7,377
Deposits paid on acquisition of non-current assets	10	4,591	1,294
		281,877	281,068
CURRENT ASSETS			
Inventories	11	1,031,871	1,054,154
Trade and other receivables	12	107,991	69,035
Restricted bank balances	14	49,648	100,415
Pledged bank deposits	14	89,900	40,000
Bank balances and cash		702,944	316,805
		1,982,354	1,580,409
CURRENT LIABILITIES			
Trade, bills and other payables	15	391,391	335,349
Amount due to non-controlling interests of a subsidiary	16	6,435	–
Lease liabilities – current portion		3,188	3,965
Contract liabilities		21,680	19,531
Deferred income		2,182	2,182
Income tax payable		5,904	9,060
Bank borrowings	17	449,956	230,000
		880,736	600,087
NET CURRENT ASSETS		1,101,618	980,322
TOTAL ASSETS LESS CURRENT LIABILITIES		1,383,495	1,261,390

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	NOTES	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	18	15,935	13,284
Share premium and reserves		511,634	387,802
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Non-controlling interests		527,569	401,086
		831,006	832,221
TOTAL EQUITY		1,358,575	1,233,307
NON-CURRENT LIABILITIES			
Deferred tax liabilities		9,228	9,803
Lease liabilities – non-current portion		2,879	4,378
Deferred income		12,813	13,902
		24,920	28,083
TOTAL EQUITY AND NON-CURRENT LIABILITIES		1,383,495	1,261,390

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Capital reserve RMB'000 (Note i)	Statutory reserve RMB'000 (Note ii)	Exchange reserve RMB'000	FVTOCI reserve RMB'000	Retained profits (accumulated losses) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021 (audited)	13,284	1,101,638	91,250	129,731	213,424	(2,736)	(1,556)	1,269,006	2,814,041	832,687	3,646,728
(Loss) profit for the period	-	-	-	-	-	-	-	(2,394,372)	(2,394,372)	11,664	(2,382,708)
Other comprehensive expense for the period	-	-	-	-	-	-	(16)	-	(16)	-	(16)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(16)	(2,394,372)	(2,394,388)	11,664	(2,382,724)
Lapse of share options	-	-	(889)	-	-	-	-	889	-	-	-
Transfer	-	-	-	-	2,532	-	-	(2,532)	-	-	-
At 30 June 2021 (unaudited)	13,284	1,101,638	90,361	129,731	215,956	(2,736)	(1,572)	(1,127,009)	419,653	844,351	1,264,004
At 1 January 2022 (audited)	13,284	1,101,638	90,366	129,731	214,306	(2,736)	(1,586)	(1,143,917)	401,086	832,221	1,233,307
Loss for the period	-	-	-	-	-	-	-	(29,948)	(29,948)	(12,531)	(42,479)
Other comprehensive expense for the period	-	-	-	-	-	-	(14)	-	(14)	-	(14)
Total comprehensive expense for the period	-	-	-	-	-	-	(14)	(29,948)	(29,962)	(12,531)	(42,493)
Subscription of shares	2,651	153,794	-	-	-	-	-	-	156,445	-	156,445
Capital injection of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	11,316	11,316
Transfer	-	-	-	-	207	-	-	(207)	-	-	-
At 30 June 2022 (unaudited)	15,935	1,255,432	90,366	129,731	214,513	(2,736)	(1,600)	(1,174,072)	527,569	831,006	1,358,575

Notes:

- (i) The capital reserve represents the sum of (a) RMB31,487,000 being the excess of the consideration paid by an independent investor to acquire 10% interest in the Group over the par value of the share capital subscribed; (b) RMB654,000 being the excess of the share capital of a subsidiary acquired by the Company over the nominal consideration of US\$1 paid, as part of the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 December 2012; (c) RMB115,029,000 and RMB54,303,000 being the difference between the increase in the non-controlling interests and the consideration received from the disposal of partial interests in CSMall Group Limited BVI in 2016 and 2017, respectively; (d) RMB18,000 being the difference between the increase in the non-controlling interests and the consideration received from the increase of partial interest in 永豐縣通盛小額貸款股份有限公司 ("Tongsheng") in 2017; (e) a negative amount of RMB74,692,000 being the difference between the increase in the non-controlling interests and the net proceeds received from the initial listing of shares in a Group's subsidiary, CSMall Group Limited ("CSMall Cayman") in March 2018; and (f) the decrease of RMB4,671,000 and the increase of RMB7,603,000 being the shortfall of RMB83,008,000 of the share-based payment expense paid by CSMall Cayman and excess of the proceeds of RMB136,780,000 received from a strategic investor of CSMall Cayman, respectively, over the increase in the carrying amounts of non-controlling interests as a result of share issuance.
- (ii) According to the relevant laws of the People's Republic of China (the "PRC"), the Company's subsidiaries established in the PRC have to transfer a portion of their profits after taxation to the statutory reserve. The transfer to this reserve must be made before the distribution of a dividend to the equity owners. The transfer can cease when the balance of the reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can be applied either to set off accumulated losses or to increase capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTE	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
OPERATING ACTIVITIES			
Loss before tax		(42,936)	(2,368,498)
Adjustments for non-cash transactions and items associated with investing or financing activities		24,309	2,427,194
Operating cash flows before movements in working capital		(18,627)	58,696
Decrease (increase) in inventories		22,448	(1,301,434)
Decrease in trade and other receivables		69,885	214,364
Decrease in trade, bills and other payables		(49,035)	(127,073)
Other working capital movements		53,206	(39,358)
Cash generated from (used in) operations		77,877	(1,194,805)
Income tax paid		(2,334)	(22,526)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		75,543	(1,217,331)
INVESTING ACTIVITIES			
Placement of pledged bank deposits		(164,900)	(40,110)
Purchases of property, plant and equipment		(3,840)	(828)
Deposits paid on acquisition of plant and equipment		(3,390)	(2,466)
Withdrawal of pledged bank deposits		115,000	47,061
Acquisition of a subsidiary	22	1,398	–
Bank interest received		1,376	861
Proceeds from disposal of property, plant and equipment		266	45
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(54,090)	4,563
FINANCING ACTIVITIES			
New bank borrowings raised		386,321	164,500
Proceeds from subscription of shares		156,445	–
Advances from amount due to non-controlling interest of a subsidiary		1,800	–
Repayments of bank borrowings		(170,160)	(117,500)
Interest paid		(7,324)	(6,139)
Repayments of lease liabilities		(2,276)	(3,506)
Repayments to amount due to non-controlling interest of a subsidiary		(57)	–
Repayment to 上海華通白銀國際交易中心 (“Huatong International”)		(40)	(35)
Repayment to third party		(23)	–
Repayment of a trade loan		–	(10,000)
NET CASH FROM FINANCING ACTIVITIES		364,686	27,320

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTE	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		386,139	(1,185,448)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		316,805	1,192,989
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		–	–
CASH AND CASH EQUIVALENTS AT 30 JUNE, REPRESENTED BY BANK BALANCES AND CASH		702,944	7,541

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

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

1A. Significant events and transactions in the current interim period

In relation to the suspension of production of Jiangxi Longtianyong Nonferrous Metals Co., Ltd. (江西龍天勇有色金屬有限公司) (“**Jiangxi Longtianyong**”), a major subsidiary of the Group’s manufacturing segment, from 26 April 2021 onwards pending completion of certain rectification measures. These rectification measures included (i) the relevant authorities’ approval in principle of the partial resumption of production of Jiangxi Longtianyong’s silver electrolysis production line; and (ii) the progress of rectification of Jiangxi Longtianyong’s production facilities.

Jiangxi Longtianyong had been working to upgrade and enhance its production facilities for the clean production of tin and precious metals (including gold, silver and palladium) (the “**Project**”). In June 2022, the environmental impact report for the Project (the “**Report**”) was under further evaluation by the Ecological and Environmental Monitoring Center of Jiangxi Province (江西省生態環境監測中心) (the “**Provincial Monitoring Center**”) directly under the Department of Ecology and Environment of Jiangxi Province (江西省生態環境廳) (the “**Provincial Department**”) for the issuance of an evaluation opinion, and would undergo further review by the Provincial Department and then pre-approval public inspection before it could be formally approved by the relevant governmental authorities.

Subsequently, the Report has undergone multiple rounds of pre-approval public inspection during late June to mid-July 2022, and an evaluation opinion from the Provincial Monitoring Center has been received. The Report has been formally approved by the Provincial Department on 27 July 2022. Although there will be continuous monitoring, supervision and possible further rectification works before the final acceptance of the Project, it is expected that these post-approval procedures would not impede Jiangxi Longtianyong’s resumption of operation of the Silver Electrolysis Production Line and the Palladium Sponge Production Line (each as defined below).

Jiangxi Longtianyong was notified on 24 August 2021 that the relevant governmental authorities had approved in principle the resumption of production of Jiangxi Longtianyong’s silver electrolysis production line (the “**Silver Electrolysis Production Line**”).

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

Subsequently, Jiangxi Longtianyong has continued with the construction works, among which it has completed the installation of facilities for the production of palladium sponge (a type of high-purity palladium product) from raw palladium (the “**Palladium Sponge Production Line**”). Following the aforesaid formal approval of the Report, Jiangxi Longtianyong has conducted continuous testing and trial run of the Palladium Sponge Production Line, and the Palladium Sponge Production Line has been officially put into operation on a commercial scale since 25 August 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. BASIS OF PREPARATION (Continued)

1B. Going concern assessment

The Group adopts the going concern basis in preparing its condensed consolidated financial statements.

For the six months ended 30 June 2022, the Group incurred a loss of RMB42,479,000 which is mainly due to Jiangxi Longtianyong's suspension of production since 26 April 2021 and partial resumption of production on a commercial scale only since mid June 2022, while certain fixed costs not dependent on the level of production were incurred during the current interim period. As at 30 June 2022, the Group had net current assets and net assets of RMB1,101,618,000 and RMB1,358,575,000, respectively.

As of 30 June 2022, the Group had current assets of RMB1,982,354,000, current liabilities of RMB880,736,000, net current assets of RMB1,101,618,000 and net assets of RMB1,358,575,000. However, when the Group excluded the current assets of RMB1,586,305,000 and current liabilities of RMB229,987,000 that are attributable to its non-wholly-owned subsidiary, CSMall Cayman (which separately listed on the Stock Exchange on 13 March 2018, and as at the date of this report, the Company held approximately 40.39% interest in the issued share capital of CSMall Cayman), then current liabilities would exceed its current assets by RMB254,700,000 and the Group had net liabilities of RMB33,184,000, in which included the liabilities attributable to the Group excluding CSMall Cayman are bank borrowings amounted to RMB362,320,000, bills payables of RMB149,800,000 that will be partially settled by pledged bank deposits of RMB89,900,000, while its unrestricted bank balances and cash amounted to RMB323,512,000 attributable to the Group excluding CSMall Cayman.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business. In order to improve the Group's financial positions, liquidity and cash flows, the directors of the Company have adopted or in the process of adopting the following measures:

- (a) In light of the circumstances of the Group's production halt of Jiangxi Longtianyong, the Group acted in a timely manner to obtain and create all conditions in fixing and rectifying facilities and environment so as to enable Jiangxi Longtianyong to resume production. On 25 August 2022, Jiangxi Longtianyong has obtained the relevant approvals and resume the production activities, the directors of the Company expect the resumed production activities will generate positive operating cash flow to the Group, details of which set out in the Company's announcement dated 26 August 2022. The directors of the Company currently expect after such resumption of the production activities in Jiangxi Longtianyong that will gradually enable the Group to generate positive cash flow from its operating activities;
- (b) The Group has maintained long business relationship with its principal bankers, for borrowings which will be maturing before 30 June 2023, the Group is actively negotiating with the banks before they fall due to secure their renewals so as to ensure that the necessary funds to meet the Group's working capital and financial requirements in the future will continue to be met. The directors of the Company do not expect to experience significant difficulties in renewing most of these bank borrowings upon their maturities and there is no indication that these bank lenders will not renew the existing bank borrowings upon the Group's request. The directors of the Company have evaluated the relevant facts available to them and are of the opinion that the Group would be able to renew such borrowings upon maturity. During the six months ended 30 June 2022, the Group has negotiated with the respective lenders to renew and extend existing borrowings upon their maturities, with bill payables of RMB40,000,000 and bank borrowing of RMB10,000,000 due in February 2022 being extended to February 2023 and bank borrowings of RMB69,340,000 due in March 2022 being extended to March 2023 and newly raised bank borrowings of RMB306,981,000, obtained bank borrowings of RMB3,795,000 through acquisition of a subsidiary and newly raised bill payables of RMB109,800,000;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. BASIS OF PREPARATION (Continued)

1B. Going concern assessment (Continued)

- (c) The Group has been actively exploring to obtain further financial resources, including obtaining additional banking facilities and/or obtaining financial support from its non-wholly-owned subsidiary, CSMall Cayman, when necessary and subject to compliance with all applicable laws, regulations and rules.

Taking into account of effectiveness and feasibility of the above measures and after assessing the Group's cash flow projections covering a period of twelve months from the end of the reporting period prepared by the management reflecting the current and future cash flow positions, the directors of the Company are satisfied that the Group will be able to meet their financial obligations when they fall due within the forecast period. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. SEGMENT INFORMATION

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

- (i) manufacturing, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC ("Manufacturing segment");
- (ii) designing and sales of gold, silver, colored gemstones gem-set and other jewellery products in the PRC ("New Jewellery Retail segment");
- (iii) providing professional electronic platform and related services for trading of silver ingots ("Silver Exchange segment"); and
- (iv) conducting integrated online-and-offline sales of fresh food in the PRC, and providing related electronic platforms and branding and SaaS (software as a service) services to enterprises along the agricultural supply chain as well as small and medium-sized businesses in the PRC ("Fresh Food Retail segment").

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

(a) Segment revenue and results

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

	Six months ended 30 June 2021					
	Manufacturing segment RMB'000 (unaudited)	New Jewellery Retail segment RMB'000 (unaudited)	Silver Exchange segment RMB'000 (unaudited)	Segment total RMB'000 (unaudited)	Elimination RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Revenue						
External sales	1,748,658	215,907	25,524	1,990,089	–	1,990,089
Inter-segment sales*	129,811	–	–	129,811	(129,811)	–
Total segment revenue	1,878,469	215,907	25,524	2,119,900	(129,811)	1,990,089
Results						
Segment results	(2,402,143)*	28,259	19,109	(2,354,775)		(2,354,775)
Non-segment items						
Unallocated income, expenses, gains and losses						(7,777)
Unallocated finance costs						(5,946)
Loss before tax						(2,368,498)

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

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

(b) Segment assets and liabilities

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

At 30 June 2022

	Manufacturing segment RMB'000 (unaudited)	New Jewellery Retail segment RMB'000 (unaudited)	Silver Exchange segment RMB'000 (unaudited)	Fresh Food Retail segment RMB'000 (unaudited)	Total RMB'000 (unaudited)
ASSETS					
Segment assets	563,141	1,498,003	149,068	43,407	2,253,619
Unallocated corporate assets					10,612
Total assets					2,264,231
LIABILITIES					
Segment liabilities	568,244	203,946	71,743	38,947	882,880
Unallocated corporate liabilities					22,776
Total liabilities					905,656

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

At 31 December 2021

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

(c) Other segment information

For the period ended 30 June 2022

	Manufacturing segment RMB'000 (unaudited)	New Jewellery Retail segment RMB'000 (unaudited)	Silver Exchange segment RMB'000 (unaudited)	Fresh Food Retail segment RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Total RMB'000 (unaudited)
Amounts included in the measure of segment profit or loss or segment assets:						
Amortisation of intangible assets	(181)	-	(5,521)	-	-	(5,702)
Depreciation of property, plant and equipment	(6,171)	(2,402)	(574)	(36)	-	(9,183)
Depreciation of right-of-use assets	(218)	(1,796)	(2)	-	(236)	(2,252)
Fair value loss on investment in equity instrument at FVTOCI	-	-	(14)	-	-	(14)
Provision for impairment loss under expected credit loss model, net	(45)	(3)	-	(261)	-	(309)
Loss on disposal of property, plant and equipment	(1,587)	(568)	-	-	-	(2,155)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

For the period ended 30 June 2021

	Manufacturing segment RMB'000 (unaudited)	New Jewellery Retail segment RMB'000 (unaudited)	Silver Exchange segment RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Total RMB'000 (unaudited)
Amounts included in the measure of segment profit or loss or segment assets:					
Amortisation of intangible assets	(181)	-	(5,177)	-	(5,358)
Depreciation of property, plant and equipment	(6,515)	(1,963)	(139)	(1)	(8,618)
Depreciation of right-of-use assets	(218)	(3,104)	(2)	(533)	(3,857)
Fair value loss on investment in equity instrument at FVTOCI	-	-	(16)	-	(16)
(Provision for) reversal of impairment loss under expected credit loss model, net	(115)	10,173	-	-	10,058
Gain on disposal of property, plant and equipment	-	19	-	-	19
Impairment loss recognised in respect of property, plant and equipment	(6,800)	-	-	-	(6,800)
Write-off of inventories	(2,408,511)	-	-	-	(2,408,511)

Geographical information

The Group's operations are located in the PRC. All of the Group's revenue during the six months ended 30 June 2022 and 2021 are generated in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4. REVENUE

Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
– By types of goods and services		
Manufacturing segment		
– Sales of silver ingots	102,020	161,325
– Sales of palladium	–	1,448,152
– Sales of lead ingots	–	57,472
– Sales of other metal by-products	–	81,709
	102,020	1,748,658
New Jewellery Retail segment		
– Sales of gold products	103,407	103,773
– Sales of silver products	55,694	111,429
– Sales of colored gemstones	1,307	–
– Sales of gem-set and other jewellery products	541	705
	160,949	215,907
Silver Exchange segment		
– Commission income	12,012	25,524
Fresh Food Retail segment		
– Sales of fresh food products	677,337	–
Total	952,318	1,990,089

All of the revenue are recognised at a point in time during the six months ended 30 June 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
PRC Enterprise Income Tax ("EIT")		
– Current period	518	7,551
– (Over)underprovision in respect of prior periods	(1,340)	1,459
	(822)	9,010
Deferred taxation for the period	365	5,200
	(457)	14,210

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

Under the Law of the PRC on EIT (the "EIT Law") and its related implementation regulations, the Group's PRC subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both periods, except for two subsidiaries of the Company, namely Jiangxi Longtianyong was recognised as a High and New Technology Enterprise by the PRC tax authorities such that it is entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2019 to 2021 and was subject to review once every three years. Shanghai Huatong Silver Exchange Company Limited (上海華通鈀銀交易市場有限公司) ("Shanghai Huatong") has been recognised as a High and New Technology Enterprise during the current interim period, such that it is entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2020 to 2022 and was subject to review once every three years.

At the end of the reporting period, the Group has unused tax losses of RMB145,233,000 (31 December 2021: RMB88,037,000) available for offset against future profits. Included in unrecognised tax losses are losses of RMB127,426,000 (31 December 2021: RMB70,899,000) that will expire in various dates in next five years. Other losses may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends payable to non-PRC shareholders which is declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in these condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB794.6 million as at 30 June 2022 (31 December 2021: RMB782.3 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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FOR THE SIX MONTHS ENDED 30 JUNE 2022

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Loss for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	747,072	1,896,990
Write-off of inventories	–	2,408,511
Impairment loss recognised in respect of property, plant and equipment	–	6,800
Depreciation of property, plant and equipment	9,183	8,618
Depreciation of right-of-use assets	2,252	3,857
Amortisation of intangible assets (included in administrative expenses and selling and distribution expenses)	5,702	5,358
Bank interest income	(1,376)	(861)
Net exchange loss	1,176	63
Loss (gain) on disposal of property, plant and equipment	2,155	(19)
Gain on disposal of a subsidiary	(18)	–
Expenses on short-term leases in respect of office premises, warehouse and retail shops	1,609	2,901

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7. DIVIDENDS

No dividends were paid, declared or proposed for the ordinary shareholders of the Company during the current interim period (six months ended 30 June 2021: nil). The directors of the Company have determined that no dividend will be paid in respect of both interim periods.

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share (RMB'000)	(29,948)	(2,394,372)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (in thousand)	1,781,344	1,628,400

For the six months ended 30 June 2022 and 2021, the computation of diluted loss per share does not assume the exercise of the Company's outstanding options because the effect of exercise of these options was anti-dilutive.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS/INTANGIBLE ASSETS

During the current interim period, the Group acquired property, plant and equipment of RMB709,000 mainly consist of plant and machinery, motor vehicles and office equipment (six months ended 30 June 2021: RMB22,726,000 mainly consist of plant and machinery and leasehold improvement) for the expansion of its production scale and enhancement of production efficiency.

During the current interim period, the Group increased construction in progress of RMB3,382,000 (six months ended 30 June 2021: nil) for the improvements and enhancement of production efficiency of buildings of Jiangxi Longtianyong.

During the current interim period, the Group disposed of plant and machinery, motor vehicle, and office equipment with an aggregate carrying amount of RMB2,421,000 (six months ended 30 June 2021: certain motor vehicles with an aggregate carrying amount of RMB26,000) for cash proceeds of RMB266,000 (six months ended 30 June 2021: RMB45,000), resulting in a loss on disposal of RMB2,155,000 (six months ended 30 June 2021: gain on disposal of RMB19,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS/INTANGIBLE ASSETS (Continued)

During the six months ended 30 June 2021, the impairment loss on property, plant and equipment of Jiangxi Longtianyong, the amount of approximately RMB6,800,000 was recognised as the rectification measure of demolition of non-compliant facilities and construction of compliant facilities, certain plant and equipment were demolished and impaired. There was no such amount incurred during the six months ended 30 June 2022.

During the six months ended 30 June 2021, the Group entered into two new lease agreements for the use of office premises and staff quarters. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised right-of-use assets of RMB9,057,000. During the current interim period, the Group has not entered into new lease agreement.

10. DEPOSITS PAID ON ACQUISITION OF NON-CURRENT ASSETS

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Deposits paid on acquisition of plant and equipment (<i>Note</i>)	4,591	1,294

Note:

The amount represents deposits paid by the Group in relation with the acquisition of plant and equipment under Manufacturing segment. The unsettled amount is disclosed as a capital commitments in Note 24.

11. INVENTORIES

During the six months ended 30 June 2021, certain of Jiangxi Longtianyong's inventory of raw materials with an amount of approximately RMB2,408,511,000 which was previously being refined for production purposes was deemed to be hazardous waste and ordered to be disposed of. As a result, there was a write-off of inventories of RMB2,408,511,000 recognised in profit or loss. There was no such amount incurred during the six months ended 30 June 2022.

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12. TRADE AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade receivables for contracts with customers	35,219	35,524
Less: allowance for credit losses	(12,708)	(12,018)
	22,511	23,506
Other receivables, deposits and prepayments	43,487	17,187
Prepayments to suppliers (<i>Note</i>)	10,109	3,802
Value-added tax ("VAT") recoverable	31,884	24,540
	107,991	69,035

Note:

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

Before accepting any new customer, other than those settling by cash or credit cards, the Group assesses the potential customer's credit quality and defines its credit limits based on reputation of the customer in the industry. The Group generally grants its customers a credit period ranging from 0 to 90 days and requires advance deposits from its customers before delivery of goods.

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

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
0 – 30 days	16,536	18,532
31 – 60 days	1,843	1,981
61 – 90 days	2,124	1,061
Over 90 days	2,008	1,932
	22,511	23,506

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Details of impairment assessment of trade and other receivables for the six months ended 30 June 2022 and 2021 are set out in Note 13.

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FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
(Provision for) reversal of impairment loss recognised in respect of trade receivables, net	(309)	10,058

The basis of determining the inputs and assumptions and the estimation techniques used in estimation of expected credit loss in respect of trade receivables in these condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021.

In determining the expected credit loss for other receivables and deposits, the management of the Group has taken into account the historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition. For the six months ended 30 June 2022 and 2021, the Group assessed the ECL for other receivables and deposits are insignificant and thus no loss allowance is recognised.

14. RESTRICTED BANK BALANCES/PLEDGED BANK DEPOSITS

The restricted bank balances represent money deposited by clients in the course of trading in the silver exchange platform received and held by the Group. These clients' monies are maintained in one or more trust bank accounts and bear interest at prevailing market rates. The Group has reclassified the client's monies as restricted bank balances and recognised the corresponding deposits received in other payables. However, the Group is not permitted to use these monies to settle its own obligations and currently does not have an enforceable right to offset those payables with the deposits placed.

As at 30 June 2022, pledged bank deposits amounting to RMB89,900,000 (31 December 2021: RMB40,000,000) represent deposits pledged to a bank to secure bills payables (see Note 15(i)) of the Group. The bills payables and bank borrowings are due for repayment within one year from the end of the reporting period, and thus the pledged bank deposits are classified as current assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

15. TRADE, BILLS AND OTHER PAYABLES

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

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade payables		
0 – 30 days	6,266	10,242
31 – 60 days	39	–
61 – 90 days	36	917
Over 90 days	27,287	21,072
	33,628	32,231
Other payables and accrued expenses	98,091	72,037
Bills payables (<i>Note i</i>)	149,800	80,000
Deposits received for using the silver exchange platform	49,648	100,415
Amount due to Huatong International (<i>Note ii</i>)	19,238	19,278
VAT and other tax payables	20,947	10,540
Provision for environmental pollution rectification	12,626	12,626
Provision for termination of assignment contracts (<i>Note iii</i>)	7,413	8,222
	391,391	335,349

Notes:

- (i) As at 30 June 2022, bills payables amounting to RMB149,800,000 are secured by pledged bank deposit. Among the total bills payables, the bills payables amounting to RMB79,800,000 (31 December 2021: RMB40,000,000) are also secured by corporate guarantee executed by a subsidiary of CS Mall Cayman and an independent third party and assets held by an independent third party (31 December 2021: personal guarantees executed by Mr. Chen Wantian (a director of the Company) and secured by machinery with a carrying value of RMB6,466,000). All bills payables are issued to a supplier of the Manufacturing segment.
- (ii) Huatong International is a company which the Group held 18% equity interest and accounted for as an equity investment at FVTOCI. The amount was non-trade in nature, unsecured, interest-free and repayable on demand.
- (iii) In September 2018, Huzhou Baiyin Property Co., Ltd. (湖州白銀置業有限公司) ("Huzhou Baiyin"), an indirect non wholly-owned subsidiary of the Group entered into an assignment contract (the "Contract") with Huzhou South Taihu New District Management Committee (the "Committee") and Huzhou Municipal Bureau of Natural Resources and Planning (the "Huzhou Municipal Bureau") in relation to the acquisition of the land use right over a piece of land located in Huzhou, the PRC (the "Acquisition"). The total consideration for the land use right was RMB285,000,000.

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

As at 31 December 2021, the Group had already paid an aggregate amount of RMB290,094,000 in relation to the Acquisition and fully received the Compensation Sum. As at 30 June 2022, however, certain pre-construction costs that had been incurred before the termination of the Acquisition remained payable by the Group, which amounted to RMB7,413,000 (31 December 2021: RMB8,222,000).

The credit period of purchase of goods and subcontracting costs generally ranges from 1 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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16. AMOUNT DUE TO NON-CONTROLLING INTERESTS OF A SUBSIDIARY

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

17. BANK BORROWINGS

During the six months ended 30 June 2022, the Group renewed existing bank borrowings of RMB79,340,000, raised new bank borrowings of RMB306,981,000 (six months ended 30 June 2021: RMB164,500,000), and obtained bank borrowings of RMB3,795,000 through acquisition of a subsidiary. The Group repaid RMB170,160,000 of the bank borrowings (six months ended 30 June 2021: RMB117,500,000) during the current interim period.

The amounts are secured and/or guaranteed by: (i) certain assets of the Group; (ii) personal guarantee and properties held by a director of the Company, Mr. Chen Wantian and his spouse; (iii) corporate guarantee and certain assets of a supplier and independent third parties.

Bank borrowings of RMB226,956,000 as at 30 June 2022 (31 December 2021: RMB220,000,000) carry interest at fixed rates, ranging from 4.63% to 14.40% (31 December 2021: at 5.25%) per annum and RMB223,000,000 (31 December 2021: RMB10,000,000) carry interest at loan prime rate plus ranging 0.96% to 2.80% (31 December 2021: loan prime rate plus 2.68%) per annum.

18. SHARE CAPITAL

	Number of shares	Share capital	
		HK\$'000	RMB'000
Ordinary share of HK\$0.01 each:			
Authorised			
At 1 January 2021, 30 June 2021, 31 December 2021, 1 January 2022 and 30 June 2022	3,000,000,000	30,000	24,386
Issued			
At 1 January 2021, 30 June 2021, 31 December 2021, 1 January 2022	1,628,400,589	16,285	13,284
Subscription of shares (<i>Note</i>)	325,680,117	3,257	2,651
At 30 June 2022	1,954,080,706	19,542	15,935

Note: During the six months ended 30 June 2022, the Company issued a total of 325,680,117 new shares to three independent subscribers at a subscription price of HK\$0.59 per subscription share.

As at 30 June 2022, the number of shares in respect of which options had been granted and remained outstanding was 151,950,000 (30 June 2021: 151,950,000) representing 7.78% (30 June 2021: 9.33%) of the shares of the Company in issue at the end of the reporting period. All the share options were vested and the related expenses were recognised in profit or loss in previous years.

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19. SHARE OPTION SCHEME

The Company has the share option scheme adopted on 5 December 2012 (the “Scheme”) and the new share option scheme adopted on 21 April 2015 (the “New Scheme”).

During the six months ended 30 June 2022, there was no share options (for the six months ended 30 June 2021: 1,200,000) lapsed under the Scheme. No share options were granted or exercised during the six months ended 30 June 2022 and 2021.

As at 30 June 2022, the outstanding share options under the Scheme were 70,950,000 (31 December 2021: 72,150,000), and the outstanding share options under the New Scheme were 81,000,000 (31 December 2021: 81,000,000).

Further details of share option scheme were set out in the Group’s consolidated financial statements for the year ended 31 December 2021.

20. PLEDGE OF ASSETS

At the end of the reporting period, assets with the following carrying amounts were pledged to secure the general banking facilities.

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Property, plant and equipment	58,135	67,415
Leasehold lands (included in the right-of-use assets)	16,175	16,326
Pledged bank deposits	89,900	40,000
	164,210	123,741

21. RELATED PARTY DISCLOSURES

(i) Related party transactions and balances

Saved as disclosed elsewhere in the condensed consolidated financial statements, no other transactions and balances with related parties were entered into by the Group during both periods.

(ii) Compensation of key management personnel

The emoluments of the directors and members of key management of the Group are as follows:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Salaries and other allowances	1,999	1,579
Retirement benefits schemes contributions	29	16
	2,028	1,595

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22. ACQUISITION OF A SUBSIDIARY

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

Jiangsu Nongmuren is a company incorporated in the PRC limited by shares. Jiangsu Nongmuren is the developer and operator of the “農牧人” (“Nongmuren”, meaning farmers and herdsmen) S2B2C (supply chain to business to customer) platform, which conducts integrated online-and-offline sales of fresh food in the PRC, and provides related electronic platforms and 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, Shenzhen Guojintongbao made the first installment of RMB6,000,000 to Jiangsu Nongmuren. The second installment of RMB20,000,000 was expected to be paid on or before 31 May 2022. On 10 January 2022, all of the conditions precedent under the investment agreement have been fulfilled, and completion of the investment agreement has taken place accordingly. On 2 April 2022, a further capital injection of RMB3,000,000 out of the second installment of RMB20,000,000 was made to Jiangsu Nongmuren. In the opinion of the directors, the timing of payment for remaining consideration of RMB17,000,000 will depend on Jiangsu Nongmuren’s actual funding needs.

	RMB'000 (unaudited)
Consideration through capital injection	
Cash consideration paid	9,000
Cash consideration payable	17,000
	26,000
Assets acquired and liabilities recognised at the date of acquisition (determined on a provisional basis)	
Property, plant and equipment	158
Inventories	165
Trade and other receivables	109,166
Bank balances and cash	10,398
Trade and other payables	(88,307)
Amount due to non-controlling interests	(4,692)
Bank borrowings	(3,795)
	23,093

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22. ACQUISITION OF A SUBSIDIARY (Continued)

	RMB'000 (unaudited)
<i>Goodwill on acquisition</i>	
Consideration to be satisfied	26,000
Add: non-controlling interests	11,316
Less: net assets acquired	(23,093)
	14,223
<i>Net cash inflow arising on acquisition</i>	
Cash consideration paid	(9,000)
Bank balances and cash acquired	10,398
	1,398

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

The provisional goodwill arising from the acquisition is determined on a provisional basis as the Group is in the process of completing the identification of separable intangible assets and independent valuation to assess the provisional fair value of identifiable assets acquired. They may be adjusted upon the completion of initial accounting year which shall not exceed one year from the acquisition date.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

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23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial asset	Fair value as at 30 June 2022 RMB'000 (unaudited)	Fair value as at 31 December 2021 RMB'000 (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Equity instrument at FVTOCI	7,363	7,377	Level 3	Adjusted net assets approach – in this approach, the share of the net asset value has been used to capture the present value of the expected future economic benefits to be derived from the ownership of Huatong International.	For equity instrument at FVTOCI valued using net asset value without adjustment

Reconciliation of Level 3 fair value measurements of equity instrument at FVTOCI

	2022 RMB'000	2021 RMB'000
As at 1 January (audited)	7,377	7,407
Unrealised loss in other comprehensive expense	(14)	(16)
As at 30 June (unaudited)	7,363	7,391

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23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at the end of the reporting period.

24. CAPITAL COMMITMENTS

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	7,259	9,099

25. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2021, the Group entered into two new lease agreements for the use of office premises and staff quarters for 2 years. On the lease commencement, the Group recognised RMB9,057,000 of right-of-use assets and RMB9,057,000 of lease liabilities. During the current interim period, the Group has no major non-cash transactions.

26. EVENTS AFTER REPORTING PERIOD

Subsequent to the period ended 30 June 2022, Jiangxi Longtianyong has continued with the construction works, among which it has completed the installation of facilities for the Palladium Sponge Production Line. Following the aforesaid formal approval of the Report, Jiangxi Longtianyong has conducted continuous testing and trial run of the Palladium Sponge Production Line, and the Palladium Sponge Production Line has been officially put into operation on a commercial scale since 25 August 2022.