

金猫银猫CSmall

金猫银猫集團有限公司

CSmall Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1815

INTERIM REPORT 2021



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Chen He (陳和)
Qian Pengcheng (錢鵬程)
Zhang Jinpeng (張金鵬) (*Resigned on 8 February 2021*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Fu Lui (府磊)
Hu Qilin
Zhang Zuhui (張祖輝)

AUDIT COMMITTEE

Fu Lui (*Chairman*)
Hu Qilin
Zhang Zuhui

REMUNERATION COMMITTEE

Zhang Zuhui (*Chairman*)
Fu Lui
Hu Qilin

NOMINATION COMMITTEE

Chen He (*Chairman*)
Fu Lui
Zhang Zuhui

COMPANY SECRETARY

Chan Sau Ling (陳秀玲)

AUTHORISED REPRESENTATIVES

Chen He
Chan Sau Ling

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town
Grand Cayman
KY1-9005
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

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town
Grand Cayman
KY1-9005
Cayman Islands



CORPORATE INFORMATION



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

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Shun Tak Centre
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Sheung Wan
Hong Kong

COMPANY'S WEBSITE

www.csmall.com

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
1815

PRINCIPAL BANKERS

China Marchants Bank Co., Ltd.
Industrial Bank Co., Ltd.

AUDITOR

Moore Stephens CPA Limited
Registered Public Interest Entity Auditors

LEGAL ADVISORS

Hong Kong law:

Sullivan & Cromwell (Hong Kong) LLP

Cayman Islands law:

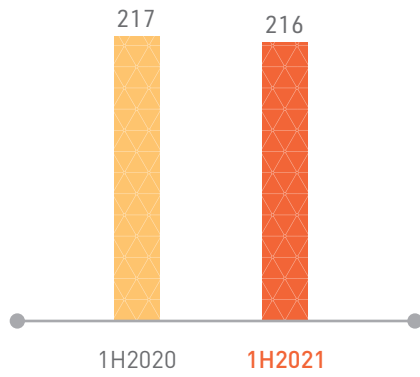
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FINANCIAL HIGHLIGHTS

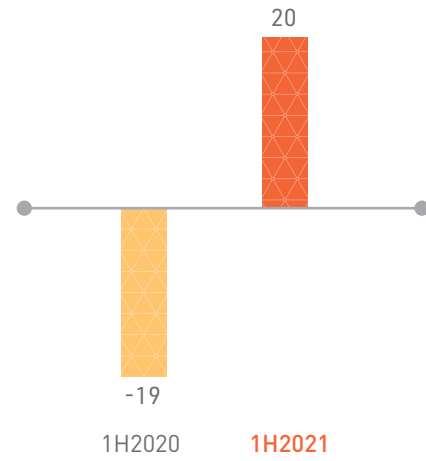
Revenue

RMB million



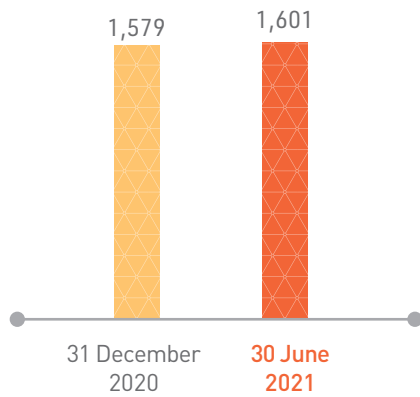
(Loss) Profit for the Period

RMB million



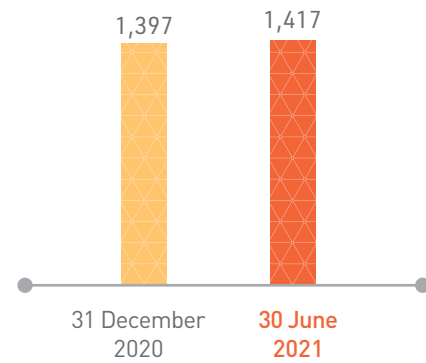
Total Assets

RMB million



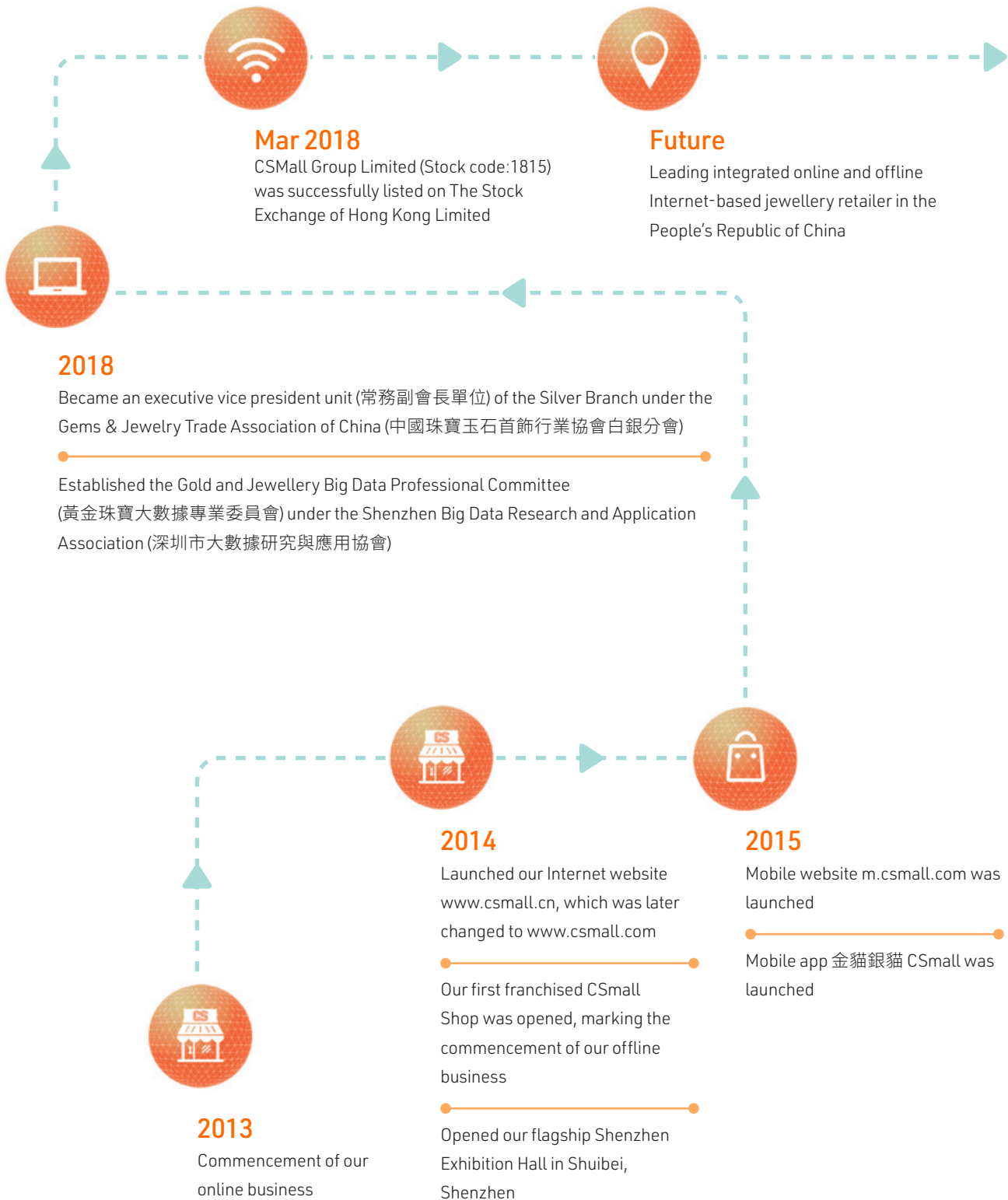
Net Assets

RMB million



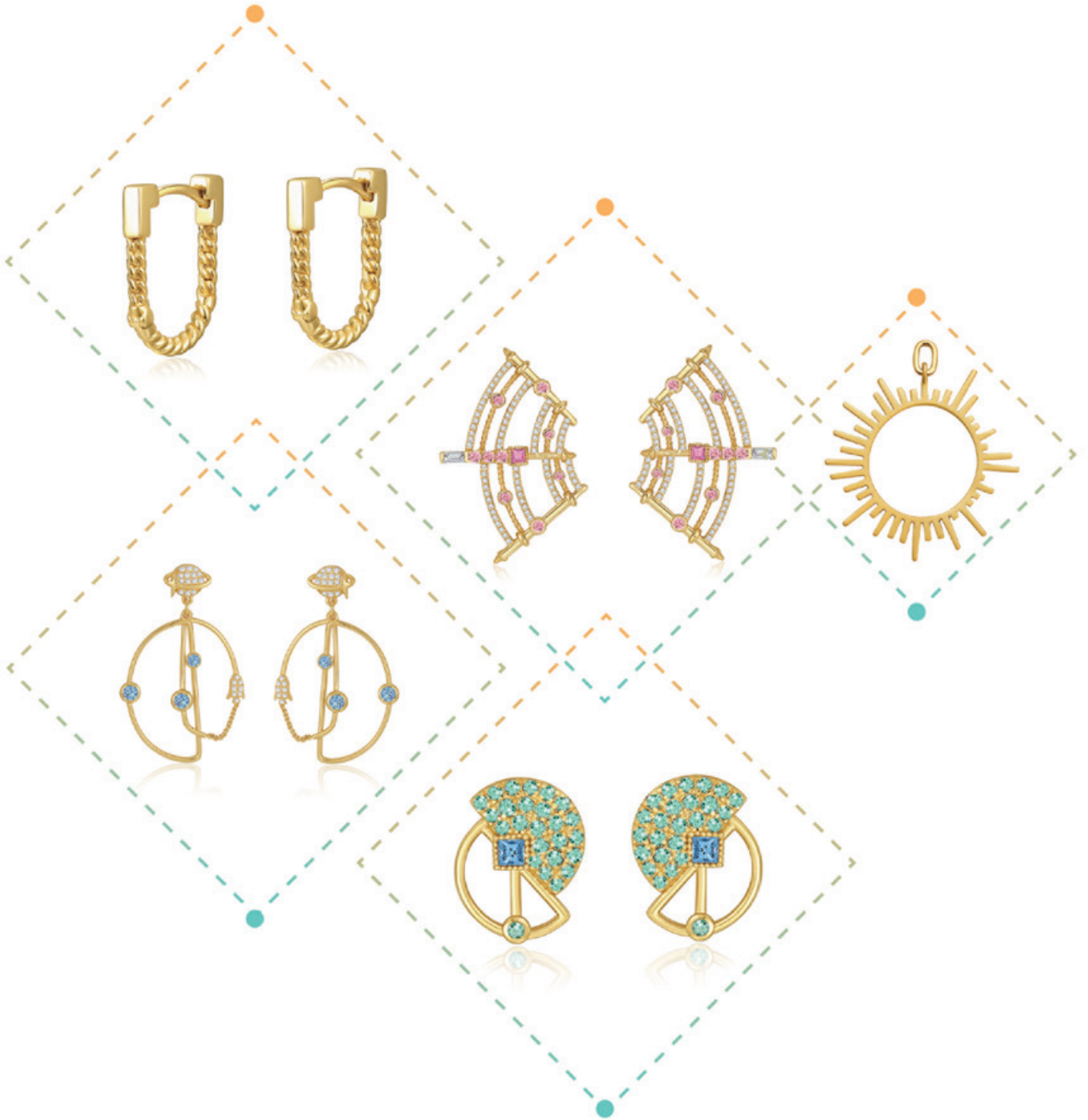


OUR MILESTONES





SELECTED BRANDS AND PRODUCTS

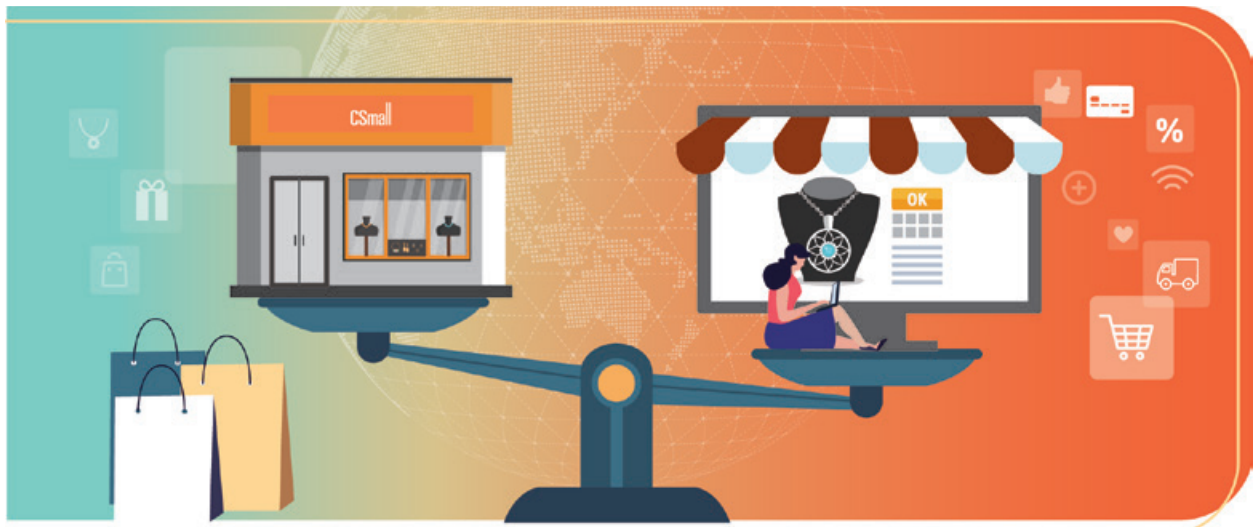




SELECTED BRANDS AND PRODUCTS



MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

As the epidemic in the People's Republic of China (the "PRC") has entered a period of normalised prevention and control in this year and the large-scale vaccination is also underway, the impact of the epidemic will gradually fade. In light of the significant impact of the epidemic on jewellery retail consumption last year, CSMall Group Limited (the "Company") and its subsidiaries (collectively, the "Group", "we" or "us") also implemented a number of measures to deal with the crisis in the six months ended 30 June 2021 ("1H2021"), including slowing down the plan on expansion of offline stores, adjusting the strategy of offline business outlets, closing 47 stores, and carefully choosing sites for opening another 11 new stores. The Group also reduced staff and cut down its administrative expenses by approximately 42.4%; and greatly reduced operation and promotion through self-operated online platform and instead relied on third-party sales channels. In 1H2021, the Group achieved turnaround from loss into profit and recorded a net profit attributable to owners of the Company of approximately RMB20.1 million.

The epidemic drove the rapid development of e-commerce live streaming. The Group attaches great importance to digital marketing and shifts the focus of online operation from self-operated platform to third-party platforms. In 1H2021, the Group suspended the promotion of online self-operated platform to reduce expenses and instead relied on third-party platforms. Relying on the strong traffic from third-party platforms, the online sales operation was enhanced through new marketing models including short video marketing, e-commerce live streaming, and online celebrities (KOL). The Group has cooperated with top anchors and celebrities including Xue Li, Wei Ya, and Jin Xing, and will continue to make efforts in the second half of the year. In the era of consumption as entertainment, live streaming is not only a channel to attract people and sell goods, but also a ground to quickly reach consumers and promote the Group's brand. Meanwhile, e-commerce live streaming also realises face-to-face information exchange between anchors (merchants) and consumers. Through the live streaming communication portal, consumers can be provided with better products and services.

The Group's offline showroom wholesale business in 1H2021 also increased significantly as compared with the six months ended 30 June 2020 ("1H2020"), accounting for 92.0% of the overall offline sales. This was mainly due to the drop in the gold price in the first half of the year which triggered the increase of the wholesale demand for gold products.

With the rapid development of short videos and e-commerce live streaming and the continuously rising spending power of young consumers, the Group's fashionable ear accessories brand, SISI, was also actively tapping into this young consumer market. In 1H2021, the Group focused on the low-price and high-margin fashion jewellery markets with increased efforts in product design and research to keep pace with the evolving market and satisfy the demand of young consumer groups for affordable jewellery products. With the rise of Chinese traditional arts and culture, the cultural and creative industries are gradually developing into a new economic sector with enormous potential in China, with related products springing up like mushrooms and popular among consumers. Our silver products are carefully processed by using traditional craftsmanship to become fashionable silver jewellery and healthy silverware that meets contemporary aesthetics. We also increased our investment in design and research to expand our presence in the market.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group has always advocated diversified product sales, with three major products including gold jewellery, silver jewellery and gemstone jewellery. Previously, the Company adopted a sales strategy focusing on gold and silver jewellery, supplemented by gemstone jewellery. In the future, it will develop gemstone jewellery into a new growth point for the Company's business following the trends in the market in addition to consolidating the foundation of the gold and silver jewellery product business, so as to achieve vigorous development in all three series of products of the Company. The Group is optimistic about the room for appreciation and market potential of colored gemstones. In particular, as the annual production of scarce ruby mines has declined, which has intensified the rarity of rubies, the price of high-quality rubies has increased by 20% each year in the past three years, increasingly highlighting the investment, value preservation and value-added functions of rubies. In particular, high-quality rubies are hard to find in the market and have become the focus of ruby collectors. In 1H2021, the Group procured certain crushed colored gemstones (predominantly rubies, and also small quantities of sapphires and emeralds) (the "Colored Gemstones"), and planned to sell the processed Colored Gemstones to customers such as watch manufacturers on a wholesale basis and also set the gemstones into jewellery accessory for sale through the Group's online and offline retail channels. The Group's original procurement consideration was approximately RMB810.0 million. With the resurgence of the 2019 novel coronavirus pneumonia ("COVID-19") in various parts of the world in recent months, overseas watch manufacturers were practically unable to travel to China to physically inspect the goods and negotiate transactions. It is difficult for the Group to achieve sales in a short period of time, and the Group's working capital risk and inventory risk have not been alleviated. Subsequently, it has reached an agreement with the seller to return part of the Colored Gemstones amounting to approximately RMB344.8 million.



MANAGEMENT DISCUSSION AND ANALYSIS

Online Sales Channels

(i) Third-party online sales channels

In 1H2021, 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). As of 30 June 2021, our third-party online platforms include 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. In 1H2021, the Group has cooperated with top anchors and celebrities including Xue Li (雪梨), Wei Ya (薇婭), and Jin Xing (金星), and will continue to cooperate more closely with top anchors including Wei Ya (薇婭) and Li Jiaqi (李佳琪) in the second half of the year to achieve more exposure and sales of its brands.



(ii) Self-operated online platform

As of 30 June 2021, the number of registered members on our self-operated online jewellery platform, which consists of www.csmall.com, m.csmall.com and the mobile app of “金貓銀貓CSmall”, surpassed approximately 9.9 million. On this basis, in 1H2021, the Group suspended the promotion of the self-operated online platform to reduce expenses and instead relied on third-party platforms.



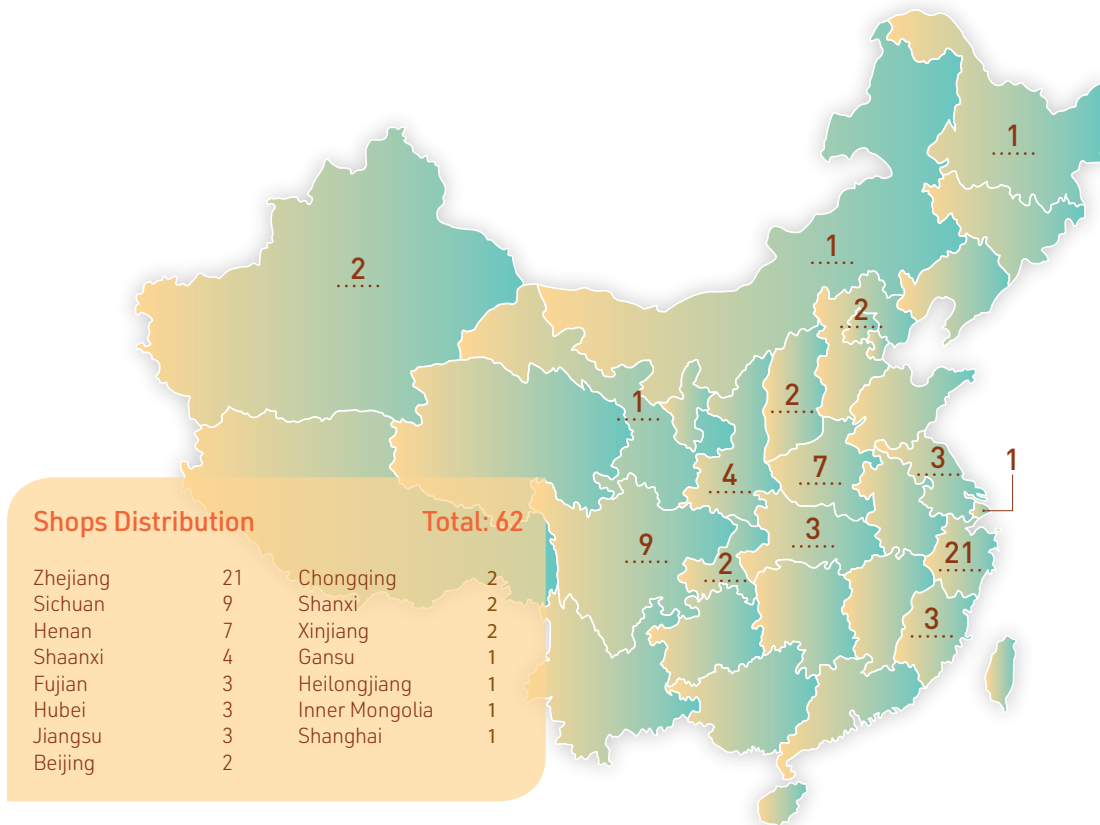


MANAGEMENT DISCUSSION AND ANALYSIS

Offline Retail and Service Network

(i) CSmall Shops

We offer intimate on-the-ground sales and services to our customers, including jewellery fitting and maintenance services, which we believe are indispensable to the jewellery shopping experience, at our CSmall Shops. In 1H2021, the Group optimised its strategic layout, closed 47 stores and opened 11 new stores. As of 30 June 2021, we had 62 CSmall Shops located in 15 provinces and municipalities in the PRC, consisting of 3 self-operated CSmall Shops and 59 franchised CSmall Shops with presence in Beijing, Chongqing, Fujian, Gansu, Heilongjiang, Henan, Hubei, Inner Mongolia, Jiangsu, Shaanxi, Shanghai, Shanxi, Sichuan, Xinjiang and Zhejiang.





MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Shenzhen Exhibition Hall

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



(iii) Third-party offline points of sale

We distribute our jewellery products and provide product customisation service through various third-party offline points of sale, which are certain commercial banks we cooperated with. We also cooperate with branded retailers, entertainment service providers, commercial banks, telecommunications service providers and insurance companies.



MANAGEMENT DISCUSSION AND ANALYSIS

New Retailing Model

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

(i) Turning jewellery into accessory

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

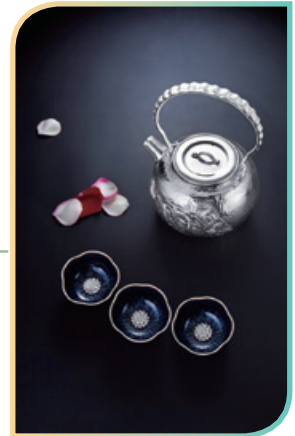




MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Blending silverware into daily life

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



(iii) Injecting artistic creativity into products

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





MANAGEMENT DISCUSSION AND ANALYSIS

(iv) Intelligentizing service

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



PROSPECTS

As China has entered a period of normalised epidemic prevention and control and various industries are slowly recovering and self-adjusting, the Group is full of confidence in the economic recovery this year. The Group will continue to improve its business in accordance with the layout and planning for 1H2021, accelerate the investment in new marketing models including short video, e-commerce live streaming, etc., and cooperate more closely with top anchors including Li Jiaqi and Wei Ya to gain more exposure of its brands and contribute more output through the live streaming of jewellery. It will further rely on social big data to realise the digital transformation of commercial marketing scenarios including consumer insight, market positioning, and placement optimisation.

In the future, rubies will also be developed as a new growth point for the Company's business. It is foreseeable that with consumers' love of jewellery and awareness of rubies and the increasing popularity of rubies, market demand will gradually increase and the price of rubies will stably increase in the long term.

In response to the huge impact of the epidemic on the jewellery retail industry and the many uncertainties in the post-epidemic era, the Group has also explored and considered suitable business opportunities inside and outside the jewellery industry in recent years, so that the Group can extend its experience, capabilities and resources in the field of new internet retail to other internet vertical fields to make its business more diversified, with a view to enhancing the Group's profitability and risk resistance ability and continuing to bring better returns to the shareholders of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue of the Group for 1H2021 was approximately RMB215.9 million (1H2020: RMB216.7 million), representing a slight decrease of approximately 0.4% from that for 1H2020.

	1H2021		1H2020	
	Revenue RMB'000	% of revenue	Revenue RMB'000	% of revenue
Online Sales Channels				
Self-operated online platform	1,145	0.5%	64,375	29.7%
Third-party online sales channels	104,717	48.5%	98,250	45.3%
	105,862	49.0%	162,625	75.0%
Offline Retail and Service Network				
CSmall Shops	8,691	4.0%	37,675	17.4%
Shenzhen Exhibition Hall	101,231	46.9%	15,902	7.3%
Third-party offline points of sale	123	0.1%	543	0.3%
	110,045	51.0%	54,120	25.0%
Total	215,907	100.0%	216,745	100.0%

Online Sales Channels

For 1H2021, the online sales channels recorded sales of approximately RMB105.9 million (1H2020: RMB162.6 million), representing a decrease of approximately 34.9% as compared to that for 1H2020, mainly due to weak consumer sentiment in the PRC and the slowdown in the PRC's economic growth resulting from the outbreak of the COVID-19.



MANAGEMENT DISCUSSION AND ANALYSIS

Offline Retail and Service Network

For 1H2021, the offline retail and service network recorded sales of approximately RMB110.0 million (1H2020: RMB54.1 million), representing a significant increase of approximately 103.3% as compared to that for 1H2020, mainly due to a significant increase in the sale of gold products through Shenzhen Exhibition Hall from approximately RMB15.1 million for 1H2020 to RMB101.2 million for 1H2021, which offset the decrease in demand under the traditional offline shopping model as people's desire to go out for shopping was affected by the COVID-19 outbreak.

Cost of Sales and Services Provided

Cost of sales slightly increased from approximately RMB167.6 million for 1H2020 to approximately RMB173.9 million for 1H2021, representing a slight increase of approximately 3.8%.

Gross Profit and Gross Profit Margin

We recorded gross profit of approximately RMB42.0 million (1H2020: RMB49.2 million) for 1H2021, representing a decrease of approximately 14.6% as compared to that for 1H2020. The overall gross profit margin decreased from approximately 22.7% to approximately 19.5%, mainly due to the increase of sale of relatively low-margin gold products for 1H2021. We will continue to implement our sale strategy to optimise our product mix to focus on the sale of a more diverse product offering and the promotion of high-margin silver, colored gemstones and jewellery products in the coming future.

Other Income, Gains and Losses

Other income, gains and losses mainly include interest income and net exchange (gain)/losses.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 28.1% from approximately RMB13.9 million for 1H2020 to approximately RMB10.0 million for 1H2021. The decrease was primarily due to the gradual workforce downsizing between 1H2020 and 1H2021.

Administrative Expenses

Administrative expenses decreased by approximately 42.4% from approximately RMB25.4 million for 1H2020 to approximately RMB14.7 million for 1H2021. The decrease was primarily due to the gradual workforce downsizing between 1H2020 and 1H2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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

During 1H2020, Huzhou Baiyin Property Co., Ltd. (湖州白銀置業有限公司) (“**Huzhou Baiyin**”), an indirect wholly-owned subsidiary of the Group, entered into a termination agreement and a compensation agreement to terminate the acquisition of the land use right over a piece of land located in Huzhou, the PRC (please refer to the paragraph headed “Significant Investment Held, Material Acquisition and Disposal” below for details). In accordance with the terms of the agreements, Huzhou South Taihu New District Management Committee (湖州市南太湖新區管理委員會) (the “**Committee**”) agreed to refund the deposits received of approximately RMB270.9 million and compensate Huzhou Baiyin for certain capital expenditure, other related expenses and certain taxes paid. A net loss on termination of assignment contract in relation to the acquisition of a land use right of approximately RMB26.7 million was recorded in 1H2020 while no such loss was recorded in 1H2021.

Income Tax Expense

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

Profit (Loss) for the Period

For 1H2021, we recorded a profit attributable to owners of the Company of approximately RMB20.1 million (1H2020: loss attributable of approximately RMB18.5 million). Such turnaround from loss to profit is mainly attributable to (i) the significant decrease in administrative expenses as well as selling and distribution expenses primarily as a result of the gradual workforce downsizing between 1H2020 and 1H2021; (ii) the net reversal of impairment loss recognised in respect of trade receivables of approximately RMB10.2 million for 1H2021, as compared to the provision for impairment loss in this respect of approximately RMB2.9 million for 1H2020; and (iii) the absence in 1H2021 of the one-off net loss on termination of assignment contract in relation to acquisition of a land use right of approximately RMB26.7 million recorded in 1H2020.

Inventories, Trade Receivables and Trade Payables Turnover Cycle

The Group’s inventories mainly comprise silver bars, Colored Gemstones, jewellery products and gold bars. For 1H2021, inventory turnover days were approximately 1,065.2 days (for the year ended 31 December 2020: 776.2 days) mainly due to significant increase in inventories as a result of the procurement of the Colored Gemstones in April and May 2021 as mentioned under the paragraph headed “Liquidity and Financial Resources” below.

The turnover days for trade receivables for 1H2021 were approximately 44.6 days (for the year ended 31 December 2020: 221.0 days) mainly due to significant decrease in trade receivables as at 30 June 2021.

The turnover days for trade payables for 1H2021 were approximately 79.8 days (for the year ended 31 December 2020: 85.9 days) which was comparable to that for 1H2020.



MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

During 1H2021, the trade loans have been fully repaid (as of 31 December 2020: RMB10.0 million). The amounts are carried at fixed interest rates, secured by specific assets of the Group and due for repayment within one year.

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

Pledge of Assets

As of 30 June 2021, assets with the following carrying amounts were pledged to secure the trade loans of the Group.

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Inventories	-	30,000
Trade receivables	-	75,000
	-	105,000

As at 31 December 2020, the trade loans of the Group were secured by (i) personal guarantees executed by Mr. Chen He (a director of the Company) and Mr. Chen Wantian (a director of China Silver Group Limited (Stock code: 815) ("China Silver Group")) and their respective spouses; and (ii) a corporate guarantee executed by China Silver Group.

Capital Expenditures

For 1H2021, the Group invested approximately RMB14.7 million in property, plant and equipment (1H2020: RMB1.7 million).

Capital Commitments

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of plant and equipment	140	8,752

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 30 June 2021 and 31 December 2020, the Group did not have any contingent liabilities.

Employees

As of 30 June 2021, the Group employed 166 staff members (31 December 2020: 204 staff members) and the total remuneration for 1H2021 amounted to approximately RMB8.3 million (1H2020: RMB14.2 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

Between April and May 2021, the Group entered into several agreements with an independent third party jewellery enterprise to procure certain crushed Colored Gemstones for an aggregate consideration of approximately RMB810.0 million. The Group intended to arrange the Colored Gemstones to be processed, and then (i) sell the processed Colored Gemstones to customers such as watch manufacturers on a wholesale basis; and (ii) set the processed Colored Gemstones into jewellery products such as earrings and rings for sale through the Group's online and offline retail channels. Prior to entering into the agreements to procure the Colored Gemstones, the Group had, through an overseas jewellery enterprise, reached out to a number of overseas watch manufacturers, which had expressed interest in purchasing the Colored Gemstones. As at 30 June 2021, most of the consideration for the Colored Gemstones had been settled in cash, resulting in a significantly lower level of bank balances and cash of the Group as compared to that as at 31 December 2020.

However, with the resurgence of COVID-19 (especially the highly contagious Delta variant) in various parts of the world in recent months, overseas watch manufacturers were practically unable to travel to China to physically inspect the Colored Gemstones and negotiate potential purchases with the Group. In addition, with the sharp increase in the number of COVID-19 cases in China in July 2021, the economic growth of China and hence the sales volume of the Group's jewellery products are expected to be adversely affected. As a result, it has become increasingly difficult for the Group to sell and monetise the Colored Gemstones in the short run. To reduce the Group's working capital risk and inventory risk, the Group recently agreed with the original seller to return part of the Colored Gemstones amounting to approximately RMB344.8 million for a refund of the corresponding portion of the original consideration, including approximately RMB284.3 million by way of cash refund and approximately RMB60.5 million by way of set-off against the unsettled consideration. Subsequent to the reporting period, both the return of such Colored Gemstones and the cash refund have been completed, thereby restoring the Group's bank balances and cash to a healthy level.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group was principally financed by internal resources, net proceeds received from the global offering of the Company in 2018 (the “**Global Offering**”), net proceeds received from the strategic issuance of the Company to Mr. Yao Runxiong in 2019 (the “**Strategic Issuance**”) and trade loans. The Group’s principal financial instruments comprise bank balances and cash, trade and other receivables, as well as trade and other payables and trade loans. As of 30 June 2021, the bank balances and cash, net current assets and total assets less current liabilities were approximately RMB3.8 million (as of 31 December 2020: RMB652.8 million), RMB1,386.9 million (as of 31 December 2020: RMB1,370.6 million) and RMB1,424.1 million (as of 31 December 2020: RMB1,400.5 million), respectively. During 1H2021, the trade loans have been fully repaid (as of 31 December 2020: RMB10.0 million).

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 1H2021 (1H2020: Nil).

Significant Investment Held, Material Acquisition and Disposal

Between 29 and 30 June 2020, Huzhou Baiyin, an indirect wholly owned subsidiary of the Group, entered into a termination agreement with the Committee and Huzhou Municipal Bureau of Natural Resources and Planning (湖州市自然資源和規劃局) (the “**Bureau**”), and a compensation agreement with the Committee, pursuant to which (a) the Committee and the Bureau agreed to terminate the Acquisition described in note 11(iii) to the condensed consolidated financial statements; and (b) the Committee agreed to (i) refund the deposits received amounting to approximately RMB270.9 million; (ii) compensate Huzhou Baiyin for the capital expenditure and other expenses incurred by the Group in connection with the exploration, design and construction works on the land; and (iii) compensate Huzhou Baiyin for certain taxes paid by another indirect wholly owned subsidiary of the Group.

Up to 31 December 2020, the Group paid an aggregate amount of approximately RMB232.5 million of deposits and other direct costs of approximately RMB26.7 million in relation to the Acquisition. Deposits of approximately RMB245.6 million were received by the Group during the year ended 31 December 2020 and a refundable amount of approximately RMB25.3 million was accounted as other receivables at 31 December 2020. Respective net loss on termination of assignment contract in relation to the Acquisition of approximately RMB26.7 million was recognised in the condensed consolidated statement of profit or loss and other comprehensive income for 1H2020. During 1H2021, a refund of approximately RMB25.3 million has been further received in full.

The Group did not hold any significant investment nor did the Group carry out any material acquisition and disposal during 1H2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds from the Global Offering

The net proceeds received by the Company from the Global Offering amounted to approximately RMB329.3 million after deducting underwriting commissions and all related expenses. The net proceeds had continued to be used in a manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 28 February 2018 until the Group entered into the agreements to procure the Colored Gemstones as mentioned under the paragraph headed “Liquidity and Financial Resources” above, after which the remaining portion of such unused net proceeds were used to settle part of the consideration for the Colored Gemstones. The unused amount of the net proceeds as at 30 June 2021 was nil.

The net proceeds received from the Global Offering were used as follows during the period from the 1 January 2021 to 30 June 2021:

	Unused amount as at 31 December 2020 RMB million	Used from 1 January 2021 until the procurement of the Colored Gemstones RMB million	Unused amount before the procurement of the Colored Gemstones RMB million	Used in the procurement of the Colored Gemstones RMB million	Unused amount as at 30 June 2021 RMB million
Implement the CSmall Gift Initiatives and other crossover marketing initiatives	-	-	-	-	-
Upgrade the IT systems and enhance the interface of self-operated online jewellery platform	-	-	-	-	-
Develop offline retail and service network	-	-	-	-	-
Upgrade the IT infrastructure and data management systems	9.5	(0.1)	9.4	-	-
Expand in-house design team and expand the warehouse and upgrade our order fulfilment facilities commensurate with the business needs	23.0	(0.5)	22.5	-	-
Brand development and targeted marketing campaigns	0.5	(0.5)	-	-	-
Working capital and other general corporate purposes	-	-	-	-	-
Procurement of the Colored Gemstones	-	-	-	(31.9)	-
Total	33.0	(1.1)	31.9	(31.9)	-



MANAGEMENT DISCUSSION AND ANALYSIS



Use of Proceeds from the Strategic Issuance

The issue of 100,000,000 new ordinary shares to a strategic investor, Mr. Yao Runxiong, at a price of HK\$1.50 per share was completed on 30 August 2019. The net proceeds had continued to be used in a manner consistent with that mentioned on page 20 of the circular of the Company dated 31 July 2019 until the Group entered into the agreements to procure the Colored Gemstones as mentioned under the paragraph headed "Liquidity and Financial Resources" above, after which the remaining portion of such unused net proceeds were used to settle part of the consideration for the Colored Gemstones. The unused amount of the net proceeds as at 30 June 2021 was nil.

The net proceeds received from the Strategic Issuance were used as follows during the period from 1 January 2021 to 30 June 2021:

	Unused amount as at 31 December 2020 RMB million	Used from 1 January 2021 until the procurement of the Colored Gemstones RMB million	Unused amount before the procurement of the Colored Gemstones RMB million	Used in the procurement of the Colored Gemstones RMB million	Unused amount as at 30 June 2021 RMB million
Develop the Company's offline retail and experiential shopping network	-	-	-	-	-
Organize brand development and targeted marketing initiatives	12.0	(5.6)	6.4	-	-
Implement cross-sector marketing campaigns, such as the Company's "CSMall Gift" initiatives	11.8	(0.3)	11.5	-	-
Carry out technological research and development and upgrade the Company's information technology systems, such as its "Intelligent Marketing Decision Support System"	11.6	(1.6)	10.0	-	-
Pay professional and other fees in relation to the Company's status as a Hong Kong listed company and also in relation to the Strategic Issuance	0.7	(0.7)	-	-	-
Pay other administrative expenses, including but not limited to rental expenses as well as salaries and other allowances	-	-	-	-	-
Procurement of the Colored Gemstones	-	-	-	(27.9)	-
Total	36.1	(8.2)	27.9	(27.9)	-

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Events After the Reporting Period

Subsequent to 30 June 2021, in regard to the procurement of the Colored Gemstones mentioned under the paragraph headed "Liquidity and Financial Resources" above, the return of part of Colored Gemstones of approximately RMB344.8 million have been completed and the cash refund of approximately RMB284.3 million have been received in full.

On 29 August 2021, Shenzhen Guojintongbao Company Limited* (深圳國金通寶有限公司) ("Guojintongbao") (a wholly-owned subsidiary of the Company) entered into an acquisition agreement (the "Acquisition Agreement") with Bric (Suzhou) Agriculture Information Technology Co., Ltd.* (布瑞克(蘇州)農業互聯網股份有限公司) ("Bric"), pursuant to which Guojintongbao has agreed to acquire, and Bric has agreed to sell, 94% effective ownership in Jiangsu Nongmuren Electronic Business Corp.* (江蘇農牧人電子商務股份有限公司) ("Nongmuren"), through a series of contracts (the "VIE Agreements") to be entered into between Guojintongbao, Bric, Nongmuren and certain individual(s) and/or entity(ies) designated by Guojintongbao to hold equity interest in Nongmuren, for a consideration of RMB94,000,000 (equivalent to approximately HK\$112,867,000) to be satisfied by the allotment and issue of 100,000,000 new shares of the Company (the "Consideration Shares").

The Consideration Shares will be allotted and issued under the general mandate obtained in the annual general meeting of the Company held on 15 June 2021 at the issue price of RMB0.94 (equivalent to approximately HK\$1.13) per Consideration Share. The Consideration Shares will, upon issue, represent (i) approximately 8.08% of the issued share capital of the Company as of 29 August 2021; and (ii) approximately 7.47% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, subject to the completion of the transactions contemplated under the Acquisition Agreement (the "Completion") and assuming that there will be no change in the issued share capital of the Company save for the allotment and issue of the Consideration Shares.

Pursuant to the Acquisition Agreement, Bric and Nongmuren have conditionally agreed to enter into the VIE Agreements. Upon Completion, the VIE Agreements will allow Guojintongbao to consolidate Nongmuren as a non-wholly-owned subsidiary and obtain 94% effective ownership in Nongmuren.

Further details are set out in the Company's joint announcement published on 29 August 2021 as clarified by the joint clarification announcement dated 30 August 2021.

On behalf of the Board

Chen He

Chairman

Hong Kong, 30 August 2021

* 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 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares of the Company (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:

Name of Director	Capacity/Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company
Mr. Chen He ⁽²⁾	Interest in controlled corporation	21,250,000	1.72%
Mr. Qian Pengcheng ⁽³⁾	Interest in controlled corporation	14,500,000	1.17%

Notes:

- (1) All interests are long positions.
- (2) Silver Apex Holdings Limited is directly wholly owned by Mr. Chen He. Accordingly, Mr. Chen He is deemed to be interested in the 21,250,000 Shares held by Silver Apex Holdings Limited by virtue of the SFO.
- (3) Treasure Delight International Limited is directly wholly owned by Mr. Qian Pengcheng. Accordingly, Mr. Qian Pengcheng is deemed to be interested in the 14,500,000 Shares held by Treasure Delight International Limited by virtue of the SFO.

Save as disclosed above, as of 30 June 2021, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2021, 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.

Name of Shareholder	Capacity/Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company
China Silver Group	Beneficial owner	500,000,033	40.39%
Blaze Loop Limited	Beneficial owner	166,025,000	13.41%
Mr. LIN Ting (林挺) ⁽²⁾	Interest in controlled corporation	166,025,000	13.41%
Mr. YAO Runxiong (姚潤雄)	Beneficial owner	100,000,000	8.08%
Ascend Delight Holdings Limited	Beneficial owner	84,287,040	6.81%
Ms. XUE Meiqi (薛美琪) ⁽³⁾	Interest in controlled corporation	84,287,040	6.81%

Notes:

- (1) All interests are long positions.
- (2) Blaze Loop Limited was formed under the Company's pre-IPO employee share scheme adopted on 6 June 2016 and reconstituted on 16 February 2017 (the "Pre-IPO Employee Share Scheme") and is directly wholly owned by Mr. Lin Ting. Accordingly, Mr. Lin Ting is deemed to be interested in the 166,025,000 Shares held by Blaze Loop Limited by virtue of the SFO. Mr. Lin Ting is an employee of the Group and the trustee under the Pre-IPO Employee Share Scheme.
- (3) Ascend Delight Holdings Limited was formed under the Company's post-IPO employee share scheme adopted on 6 May 2019 (the "Post-IPO Employee Share Scheme") and is directly wholly owned by Ms. Xue Meiqi. Accordingly, Ms. Xue Meiqi is deemed to be interested in the 84,287,040 Shares held by Ascend Delight Holdings Limited by virtue of the SFO. Ms. Xue Meiqi is an employee of the Group and the trustee under the Post-IPO Employee Share Scheme.

Except as disclosed above, as of 30 June 2021, 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.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises two executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules. During 1H2021, the Company had complied with the code provisions under the CG Code except for code provision A.2.1.

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



CORPORATE GOVERNANCE AND OTHER INFORMATION

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

The Board will continue to review the situation and consider splitting the roles of Chairman and Chief Executive Officer of the Company in due course after taking into account of the then overall circumstances of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 1H2021.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF OUR COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during 1H2021.

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, Mr. Fu Lui (Chairman), Mr. Hu Qilin and Mr. Zhang Zuhui. 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, risk management and internal control systems and the unaudited condensed consolidated financial statements for 1H2021 of the Group. The Audit Committee is of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

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 code provision A.5.1 of the CG Code, 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 He (Chairman), Mr. Fu Lui and Mr. Zhang Zuhui, 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 Mr. Zhang Zuhui (Chairman), Mr. Fu Lui and Mr. Hu Qulin, all of whom 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 2020 annual report.

On behalf of the Board

Chen He

Chairman

Hong Kong, 30 August 2021



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	3	215,907	216,745
Cost of sales		(173,866)	(167,553)
Gross profit		42,041	49,192
Other income		942	5,019
Other gains and losses		145	(72)
Reversal of (provision for) impairment loss under expected credit loss model, net	12	10,173	(2,891)
Selling and distribution expenses		(9,970)	(13,858)
Administrative expenses		(14,654)	(25,432)
Other expenses		(17)	(1,164)
Net loss on termination of assignment contract in relation to acquisition of a land use right		-	(26,656)
Finance costs		(220)	(760)
Profit (loss) before tax		28,440	(16,622)
Income tax expense	4	(8,390)	(1,905)
Profit (loss) and total comprehensive income (expense) for the period, attributable to the owners of the Company	5	20,050	(18,527)
		RMB	RMB
Basic earnings (loss) per share	7	0.02	(0.01)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	21,539	8,779
Right-of-use assets	8	10,565	9,945
Deferred tax assets		4,418	9,152
Refundable rental deposits		621	798
Deposits paid on acquisition of non-current assets	9	93	1,268
		37,236	29,942
CURRENT ASSETS			
Inventories	10	1,372,308	652,561
Trade and other receivables	11	175,079	231,409
Amount due from immediate holding company	17	13,049	12,542
Bank balances and cash		3,773	652,828
		1,564,209	1,549,340
CURRENT LIABILITIES			
Trade and other payables	13	149,833	136,203
Trade loans	14	-	10,000
Lease liabilities – current portion		3,881	6,572
Contract liabilities		4,533	6,159
Amounts due to fellow subsidiaries	17	3,870	3,938
Amounts due to related companies	17	9,010	9,010
Income tax payable		6,215	6,867
		177,342	178,749
NET CURRENT ASSETS		1,386,867	1,370,591
TOTAL ASSETS LESS CURRENT LIABILITIES		1,424,103	1,400,533
CAPITAL AND RESERVES			
Share capital	15	842	842
Share premium and reserves		1,416,226	1,396,176
TOTAL EQUITY		1,417,068	1,397,018
NON-CURRENT LIABILITY			
Lease liabilities – non-current portion		7,035	3,515
TOTAL EQUITY AND NON-CURRENT LIABILITY		1,424,103	1,400,533



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021



	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Contribution reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000 (Note)	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020 (audited)	842	858,158	325,850	1,935	24,784	8	221,044	1,432,621
Loss and total comprehensive expense for the period	-	-	-	-	-	-	(18,527)	(18,527)
Transfer	-	-	-	-	3,767	-	(3,767)	-
At 30 June 2020 (unaudited)	842	858,158	325,850	1,935	28,551	8	198,750	1,414,094
At 1 January 2021 (audited)	842	858,158	325,850	1,935	24,964	8	185,261	1,397,018
Profit and total comprehensive income for the period	-	-	-	-	-	-	20,050	20,050
Transfer	-	-	-	-	2,402	-	(2,402)	-
At 30 June 2021 (unaudited)	842	858,158	325,850	1,935	27,366	8	202,909	1,417,068

Note: According to the relevant laws of the People's Republic of China, the Group's subsidiaries established in the People's Republic of China (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 2021

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
OPERATING ACTIVITIES		
Profit (loss) before tax	28,440	(16,622)
Adjustments for non-cash transactions and items associated with investing or financing activities	(5,412)	36,345
Operating cash flows before movements in working capital	23,028	19,723
(Increase) decrease in inventories	(719,747)	17,548
Decrease in trade and other receivables	66,680	65,058
Increase in trade and other payables	82	1,543
Increase in amounts due from fellow subsidiaries	-	(50)
Other operating activities	(5,934)	(16,594)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(635,891)	87,228
INVESTING ACTIVITIES		
Bank interest received	750	710
Repayment from immediate holding company	116	761
Advance to immediate holding company	(623)	-
Refund of deposits paid on acquisition of a land use right	-	175,500
Repayment from fellow subsidiaries	-	262
Deposits paid on acquisition of plant and equipment	-	(480)
Purchase of property, plant and equipment	-	(651)
Deposit and other direct costs paid on acquisition of a land use right	-	(6,016)
Purchase of intangible assets	-	(9,812)
NET CASH FROM INVESTING ACTIVITIES	243	160,274
FINANCING ACTIVITIES		
Repayment of a trade loan	(10,000)	(10,000)
Repayments of lease liabilities	(3,119)	(4,281)
Interest paid	(220)	(188)
Repayments to fellow subsidiaries	(68)	-
Advances from fellow subsidiaries	-	828
NET CASH USED IN FINANCING ACTIVITIES	(13,407)	(13,641)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(649,055)	233,861
CASH AND CASH EQUIVALENTS AT 1 JANUARY	652,828	393,287
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	-	(6)
CASH AND CASH EQUIVALENTS AT 30 JUNE, REPRESENTED BY BANK BALANCES AND CASH	3,773	627,142



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



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

For the six months ended 30 June 2021, the Group entered into several agreements with an independent third party jewellery enterprise to procure certain crushed colored gemstones (predominantly rubies, and also small quantities of sapphires and emeralds) (the “Colored Gemstones”) for an aggregate consideration of approximately RMB810,000,000.

1B. Going concern assessment

The Group continues to adopt the going concern basis in preparing its condensed consolidated financial statements.

As at 30 June 2021, most of the consideration for the Colored Gemstones had been settled in cash, resulting in a significantly lower level of bank balances and cash of the Group as compared to that as at 31 December 2020. The Group’s bank balances and cash amounted to approximately RMB3,773,000, in contrast to its total current liabilities of approximately RMB177,342,000 which are repayable within the next twelve months from the end of the reporting period.

With the resurgence of COVID-19 (especially the highly contagious Delta variant) in various parts of the world in recent months, overseas watch manufacturers were practically unable to travel to China to physically inspect the Colored Gemstones and negotiate potential purchases with the Group. In addition, with the sharp increase in the number of COVID-19 cases in China in July 2021, the economic growth of China and hence the sales volumes of the Group’s jewellery products are expected to be adversely affected. As a result, it has become increasingly difficult for the Group to sell and monetise the Colored Gemstones in the short run.

The directors of the Company consider that the Group has adequate funds available to enable it to operate as a going concern based on the Group’s cash flow projection which takes into account the following measures with a view to improving the Group’s liquidity:

- i. subsequent to the end of the current interim period, the Group agreed with the original seller to return part of the Colored Gemstones amounting to approximately RMB344,817,000 for a refund of the corresponding portion of the original consideration, including approximately RMB284,307,000 by way of cash refund and approximately RMB60,510,000 by way of set-off against the unsettled consideration. Subsequent to the end of the current interim period, both the return of such Colored Gemstones and the cash refund have been completed, thereby restoring the Group’s bank balances and cash to a healthy level; and
- ii. considering any other financing arrangements, when necessary, for the purpose of increasing the Group’s liquidity.

On the basis of the above considerations and taking into account the above measures, the Directors are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of issuance of these condensed consolidated financial statements and accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

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 2021 for the preparation of the Group’s condensed consolidated financial statements:

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

In addition, the Group has early applied the Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”.

Except as described below, 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.

Impacts on early application of Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”

The Group has early applied the amendment in the current interim period. The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior periods.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Sales of gold products	103,773	63,610
Sales of silver products	111,429	150,668
Sales of gem-set and other jewellery products	705	2,467
	215,907	216,745

All of the revenue was recognised at a point in time during the six months ended 30 June 2021 and 2020.

(ii) Segment information

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

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

(iii) Geographical information

The Group's revenue is derived from the PRC, based on the location of customers. Therefore, no geographical information is presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
PRC Enterprise Income Tax ("EIT")		
- Current period	3,999	6,362
- Overprovision in respect of prior periods	(343)	(58)
	3,656	6,304
Deferred taxation for the period	4,734	(4,399)
	8,390	1,905

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 Shenzhen Yunpeng Software Development Company Limited (深圳雲鵬軟件開發有限公司) ("Shenzhen Yunpeng"), a former subsidiary of the Group, which was recognised as a Software Enterprise by the PRC tax authorities and is entitled to an exemption of PRC EIT for the first two consecutive years beginning from 2016 and a 50% reduction for the following three consecutive years. For the six months ended 30 June 2020, Shenzhen Yunpeng was subject to PRC EIT at a rate of 12.5%.

At the end of the reporting period, the Group has unused tax losses of RMB24,139,000 (31 December 2020: RMB23,310,000) available for offset against future profits. Included in unrecognised tax losses are losses of RMB24,139,000 (31 December 2020: RMB23,310,000) that will expire in various dates from 2021 to 2026 (31 December 2020: from 2020 to 2025). 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 RMB449,956,000 as at 30 June 2021 (31 December 2020: RMB428,336,000) 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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Profit (loss) for the period has been arrived at after (crediting) charging:		
Cost of inventories recognised as expenses	173,866	167,553
Net loss on termination of assignment contract in relation to acquisition of a land use right	-	26,656
Depreciation of property, plant and equipment	1,963	1,854
Depreciation of right-of-use assets	3,446	4,315
Amortisation of intangible assets (included in administrative expenses and selling and distribution expenses)	-	579
Bank interest income	(750)	(710)
Net exchange (gain) loss	(142)	72
Expenses on short-term leases in respect of retail shops and warehouse	117	408

6. 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 2020: nil). The Directors have determined that no dividend will be paid in respect of the both interim periods.

7. BASIC EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Earnings (loss)		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share (RMB'000)	20,050	(18,527)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share (in thousand)	1,237,875	1,237,875
Basic earnings (loss) per share (RMB)	0.02	(0.01)

No diluted earnings (loss) per share for the six months ended 30 June 2021 and 2020 is presented as there were no potential dilutive shares in issue for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

8. 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 RMB14,723,000 (six months ended 30 June 2020: RMB1,681,000) mainly for the office's leasehold improvements (six months ended 30 June 2020: office's leasehold improvements).

During the current interim period, the Group entered into two new lease agreements for the use of office premises and staff quarters (six months ended 30 June 2020: two new lease agreements for the use of warehouse and showrooms). The Group is required to make fixed monthly payment during the contract period. On lease commencement, the Group recognised a right-of-use asset and a lease liability of RMB8,951,000 (six months ended 30 June 2020: RMB10,759,000).

During the six months ended 30 June 2020, the Group acquired intangible assets of spent RMB17,906,000 for the Group's online platform and system enhancement.

9. DEPOSITS PAID ON ACQUISITION OF NON-CURRENT ASSETS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Deposits paid on acquisition of plant and equipment (<i>Note</i>)	93	1,268

Note: The amount represents deposits paid by the Group in relation with the acquisition of plant and equipment. The unsettled amount is disclosed as capital commitments in note 16.

10. INVENTORIES

During the current interim period, the Group entered into several agreements with an independent third party jewellery enterprise to procure certain crushed Colored Gemstones for an aggregate consideration of approximately RMB810,000,000. However, with the resurgence of COVID-19 (especially the highly contagious Delta variant) in various parts of the world in recent months, overseas watch manufacturers were practically unable to travel to China to physically inspect the Colored Gemstones and negotiate potential purchases with the Group. In addition, with the sharp increase in the number of COVID-19 cases in China in July 2021, in the opinion of the Directors, the economic growth of China and hence the sales volumes of the Group's jewellery products are expected to be adversely affected. As a result, it has become increasingly difficult for the Group to sell and monetise the Colored Gemstones in the short run. Hence, subsequent to the end of the current interim period, the Group agreed with the original seller to return part of the Colored Gemstones amounting to approximately RMB344,817,000 for a refund of the corresponding portion of the original consideration, including approximately RMB284,307,000 by way of cash refund and approximately RMB60,510,000 by way of set-off against the unsettled consideration. Subsequent to the end of the current interim period, both the return of such Colored Gemstones and the cash refund have been completed.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



11. TRADE AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade receivables for contracts with customers (<i>Note i</i>)	35,697	100,461
Less: allowance for credit losses	(10,412)	(20,585)
	25,285	79,876
Deposits and prepayments	7,863	16,965
Prepayments to suppliers (<i>Note ii</i>)	109,841	61,502
Value-added tax ("VAT") recoverable	32,090	28,292
Amount due from a former subsidiary, Shenzhen Yunpeng	-	19,499
Other receivables arising from termination of assignment contract of a land use right from the PRC government (<i>Note iii</i>)	-	25,275
	175,079	231,409

Notes:

- (i) The Group has pledged trade receivables with a carrying value of nil at 30 June 2021 (31 December 2020: RMB75,000,000) to secure trade loans of the Group as set out in note 14.
- (ii) Included in the balance are prepayments to a fellow subsidiary with a carrying amount of RMB95,677,000 (31 December 2020: RMB31,687,000).
- (iii) In September 2018, Huzhou Baiyin Property Co., Ltd. (湖州白銀置業有限公司) ("Huzhou Baiyin"), an indirect wholly-owned subsidiary of the Group entered into an assignment contract (the "Contract") with Huzhou South Taihu New District Management Committee (the "Committee") and Huzhou Municipal Bureau of Natural Resources and Planning (the "Bureau") in relation to the acquisition of the land use right over a piece of land located in Huzhou, the PRC (the "Acquisition"). The total consideration for the land use right was RMB285,000,000.

On 29 and 30 June 2020, Huzhou Baiyin entered into a termination agreement (the "Termination Agreement") with the Committee and the Bureau, and a compensation agreement with the Committee, pursuant to which the Committee and the Bureau agreed to terminate the Contract and the Committee agreed to refund the deposits received amounting to RMB270,875,000 (the "Compensation Sum") and compensate for (i) the capital expenditure and other expenses incurred by the Group in connection with the exploration, design and pre-construction works on the land; and (ii) certain taxes paid by another indirect wholly-owned subsidiary of the Group. As a result of the termination of the Contract, there was a net loss of RMB26,656,000 recognised in the condensed consolidated statement of profit or loss and other comprehensive income during the six months ended 30 June 2020.

Up to 31 December 2020, the Group had already paid an aggregate amount of RMB232,500,000 of deposits and other direct costs of RMB26,713,000 in relation to the Acquisition. An amount of RMB245,600,000 arising from the Compensation Sum was received by the Group during the year ended 31 December 2020 and the remaining RMB25,275,000 of the Compensation Sum was recorded and included in other receivables at 31 December 2020, which has been fully received during the current interim period. As at 30 June 2021, however, certain pre-construction costs that had been incurred before the termination of the Acquisition remained payable by the Group and provision had been made of RMB8,362,000 (31 December 2020: RMB39,103,000) as set out in note 13.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

11. TRADE AND OTHER RECEIVABLES (continued)

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

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 – 30 days	19,768	27,425
31 – 60 days	1,112	42,972
61 – 90 days	907	1,350
Over 90 days	3,498	8,129
	25,285	79,876

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 receivables for the six months ended 30 June 2021 and 2020 are set out in note 12.



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For the six months ended 30 June 2021



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

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Reversal of (provision for) impairment loss recognised in respect of trade receivables, net	10,173	(2,891)

The basis of determining the inputs and assumptions and the estimation techniques used in these condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

13. TRADE 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 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade payables		
0 - 30 days	65,480	32,172
31 - 60 days	5	8,658
61 - 90 days	-	-
Over 90 days	28,467	17,239
	93,952	58,069
Other payables and accrued expenses	38,394	21,512
Customer receipts in advance	403	1,864
VAT and other tax payables	8,722	15,655
Provision for termination of assignment contracts (<i>Note below and Note 11 (iii)</i>)	8,362	39,103
	149,833	136,203

Note: Included in the balance was an amount of nil (31 December 2020: RMB20,650,000) payable to Zhejiang Jifeng Geotechnical Technology Co., Ltd. (浙江績豐岩土技術股份有限公司) ("Zhejiang Jifeng Geotechnical") which represented pre-construction costs incurred in relation to the land use right. During the six months ended 30 June 2021, total pre-construction costs incurred to Zhejiang Jifeng Geotechnical amounted to nil (six months ended 30 June 2020: RMB37,514,000). Mr. Chen Wantian, a director of China Silver Group Limited is also a director (out of the twelve directors) of Zhejiang Jifeng Geotechnical and holds 5.44% equity interest therein.

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

For the six months ended 30 June 2021

14. TRADE LOANS

During the year ended 31 December 2020, the Group obtained a new trade loan amounting to RMB9,428,000. The trade loans carried interest at a fixed market rate of 5.66% per annum and were secured by certain of the Group's assets as set out in note 18. The amount has been repaid during the six months ended 30 June 2021.

15. SHARE CAPITAL

	Number of shares	Share capital	
		US\$	RMB'000
Ordinary share of US\$0.0001 each:			
Authorised			
At 1 January 2020, 30 June 2020, 31 December 2020, 1 January 2021 and 30 June 2021	3,000,000,000	300,000	2,062
Issued			
At 1 January 2020, 30 June 2020, 31 December 2020, 1 January 2021 and 30 June 2021	1,237,875,040	123,787	842



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For the six months ended 30 June 2021

16. CAPITAL COMMITMENTS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of plant and equipment	140	8,752

17. RELATED PARTIES DISCLOSURES

(i) Related parties transactions and balances

- (a) Saved as disclosed elsewhere in the condensed consolidated financial statements, the Group has following significant transactions with related parties:

Name of related parties	Relationship	Nature of transactions	Six months ended 30 June	
			2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Jiangxi Longtianyong Nonferrous Metals Co., Ltd. (江西龍天勇有色金屬有限公司)	A fellow subsidiary of the Group and a subsidiary of China Silver Group Limited (<i>Note</i>)	Interest expenses on leases liabilities Repayments of lease liabilities Purchase of silver ingots	45 300 65,230	57 300 125,118
Shanghai Huatong Silver Exchange Company Limited (上海華通鈾銀交易市場有限公司)	A fellow subsidiary of the Group and a subsidiary of China Silver Group Limited (<i>Note</i>)	Sales of jewellery products	87	44

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17. RELATED PARTIES DISCLOSURES (continued)

(i) Related parties transactions and balances (continued)

- (a) Saved as disclosed elsewhere in the condensed consolidated financial statements, the Group has following significant transactions with related parties: (continued)

Note: China Silver Group Limited is the immediate and ultimate holding company of the Group.

- (b) The amount due from immediate holding company, amounts due to fellow subsidiaries and amounts due to related companies as at 30 June 2021 and 31 December 2020 were non-trade in nature, unsecured, interest-free and repayable on demand.

(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	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Salaries and other allowances	970	2,088
Retirement benefits schemes contributions	13	36
	983	2,124



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. PLEDGE OF ASSETS

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Inventories	-	30,000
Trade receivables	-	75,000
	-	105,000

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

19. 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 value at the end of the reporting period.

20. MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions:

- (i) During the six months ended 30 June 2021, the Group entered into two new lease agreements for the use of office premise and staff quarters for 2 years (six months ended 30 June 2020: two new lease agreements for the use of warehouse and showrooms). On the lease commencement, the Group recognised RMB8,951,000 (six months ended 30 June 2020: RMB10,759,000) of right-of-use assets and RMB8,951,000 (six months ended 30 June 2020: RMB10,759,000) of lease liabilities.
- (ii) During the six months ended 30 June 2020, the Group entered into a reverse factoring agreement and trade payables amounting to RMB9,428,000 was settled by trade loans as disclosed in note 14.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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21. EVENTS AFTER REPORTING PERIOD

Subsequent to 30 June 2021, in regard to the procurement of Colored Gemstones as detailed in note 10, the return of part of Colored Gemstones of approximately RMB344,817,000 and the cash refund of approximately RMB284,307,000 have been received in full.

On 29 August 2021, Shenzhen Guojintongbao Company Limited* (深圳國金通寶有限公司) (“**Guojintongbao**”) (a wholly-owned subsidiary of the Company) entered into an acquisition agreement (the “**Acquisition Agreement**”) with Bric (Suzhou) Agriculture Information Technology Co., Ltd.* (布瑞克(蘇州)農業互聯網股份有限公司) (“**Bric**”), pursuant to which Guojintongbao has agreed to acquire, and Bric has agreed to sell, 94% effective ownership in Jiangsu Nongmuren Electronic Business Corp.* (江蘇農牧人電子商務股份有限公司) (“**Nongmuren**”), through a series of contracts (the “**VIE Agreements**”) to be entered into between Guojintongbao, Bric, Nongmuren and certain individual(s) and/or entity(ies) designated by Guojintongbao to hold equity interest in Nongmuren, for a consideration of RMB94,000,000 (equivalent to approximately HK\$112,867,000) to be satisfied by the allotment and issue of 100,000,000 new shares of the Company (the “**Consideration Shares**”).

The Consideration Shares will be allotted and issued under the general mandate obtained in the annual general meeting of the Company held on 15 June 2021 at the issue price of RMB0.94 (equivalent to approximately HK\$1.13) per Consideration Share. The Consideration Shares will, upon issue, represent (i) approximately 8.08% of the issued share capital of the Company as of 29 August 2021; and (ii) approximately 7.47% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, subject to the completion of the transactions contemplated under the Acquisition Agreement (the “**Completion**”) and assuming that there will be no change in the issued share capital of the Company save for the allotment and issue of the Consideration Shares.

Pursuant to the Acquisition Agreement, Bric and Nongmuren have conditionally agreed to enter into the VIE Agreements. Upon Completion, the VIE Agreements will allow Guojintongbao to consolidate Nongmuren as a non wholly-owned subsidiary and obtain 94% effective ownership in Nongmuren.

* For identification purpose only