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 2021

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
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KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

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REGISTERED OFFICE

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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:

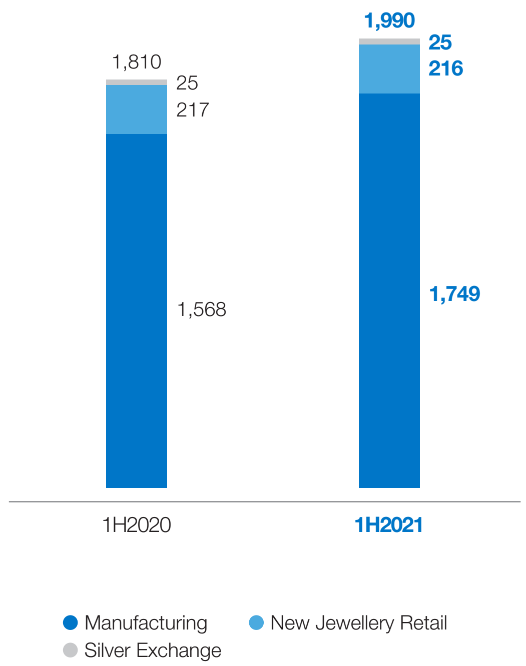
Sullivan & Cromwell (Hong Kong) LLP

Cayman Islands law:

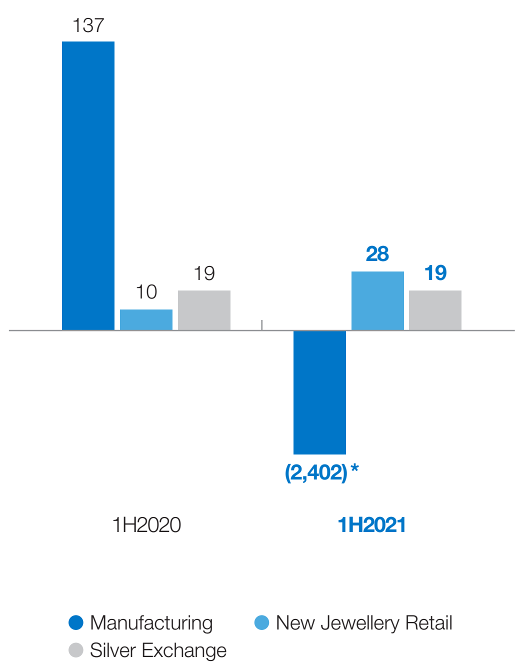
Conyers Dill & Pearman

FINANCIAL HIGHLIGHTS

Revenue
(RMB million)

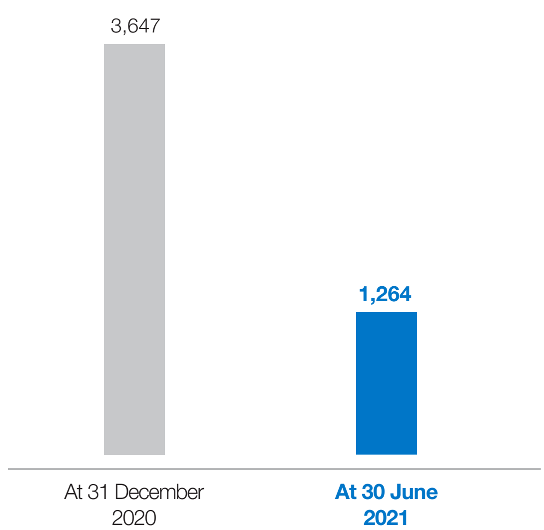


Segment Results
(RMB million)



* Included one-off write off of inventories of approximately RMB2,409 Million

Net Assets
(RMB million)



OUR MILESTONES

2019 ONWARDS

- Fully transformed into a leading fully-integrated silver, gold, palladium and precious metals enterprise in the PRC

MAR 2018

- Spin-off listing of CSMall Group (Stock code: 1815)

MAR 2017

- Acquired Silver Exchange Business

2014

- Developed New Jewellery Retail Business

2012

- IPO in Hong Kong

2002

- Silver Manufacturing

SELECTED BRANDS AND PRODUCTS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are pleased to see that, despite the unstable global economy and the downturn of the Chinese economy due to multiple factors, the Group's Manufacturing segment and Silver Exchange segment still managed to maintain stable growth in sales during the period.

For the six months ended 30 June 2021 ("**1H2021**") the Group's Manufacturing segment generated sales of approximately RMB1,748.7 million, representing an increase of approximately 11.5% as compared to the six months ended 30 June 2020 ("**1H2020**") of approximately RMB1,568.3 million. During the current period, sale of palladium increased by approximately 7.1% as compared to that for 1H2020, accounting for approximately 82.8% of the revenue of the Manufacturing segment. The revenue from sales of silver ingots increased significantly by approximately 270.4% over the last period, while the revenue from sales of other metal by-products decreased by approximately 13.8% over the last period.

Since 2014, we have diversified from the traditional Manufacturing segment to the downstream New Jewellery Retail segment which is now operated under our 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 1H2021, external sales of CSMall Group amounted to approximately RMB215.9 million, representing approximately 10.8% of the Group's total revenue of the current period (1H2020: 12.0%), and the New Jewellery Retail segment recorded a segment profit of approximately RMB28.3 million (1H2020: RMB10.4 million).

In 2016, the Group further expanded the downstream business by acquiring Shanghai Huatong Silver Exchange Company Limited ("**Shanghai Huatong**"), an operator of an integrated silver exchange platform in the PRC. For 1H2021, the Silver Exchange segment remained stable and recorded a segment profit of approximately RMB19.1 million (1H2020: RMB19.0 million).

The Group recorded gross profit of approximately RMB91.7 million for 1H2021 (1H2020: RMB221.4 million), a significant decrease of approximately 58.6% as compared to that for 1H2020, mainly due to the decrease in gross profit of our Manufacturing segment and New Jewellery Retail segment operated under CSMall Group. The overall gross profit margin decreased from approximately 12.2% for 1H2020 to approximately 4.6% for 1H2021, mainly due to the significant increase of the purchase cost of the raw material for 1H2021 as compared to those for 1H2020 of our Manufacturing segment and the increase of sale of relatively low-margin gold products under the New Jewellery Retail segment operated under CSMall Group for 1H2021.

For 1H2021, the Group recorded loss attributable to owners of the Company of approximately RMB2,394.4 million (1H2020: profit of approximately RMB114.7 million). Such turnaround from profit to loss is mainly attributable to the write-off of inventories of approximately RMB2,408.5 million recorded for 1H2021, which has far outweighed (i) the significant decrease in administrative expenses as well as selling and distribution expenses primarily as a result of the gradual workforce downsizing of New Jewellery Retail segment between 1H2020 and 1H2021; (ii) the net reversal of impairment loss recognised in respect of trade receivables of approximately RMB10.1 million for 1H2021, as compared to the provision of impairment loss recognised in this respect of approximately RMB2.3 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.

As always, our long-term vision is to become a leading fully-integrated silver, palladium, gold and precious metals enterprise in the PRC and we are moving full speed towards this goal.

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 Nonferrous Metals Co., Ltd. (江西龍天勇有色金屬有限公司) ("**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.

As a result of the Contraventions, the Bureau ordered Jiangxi Longtianyong to carry out certain rectification works on its production and storage facilities. Jiangxi Longtianyong has 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 has engaged an environmental specialist to provide recommendations on the appropriate rectification measures to address the Bureau's concerns.

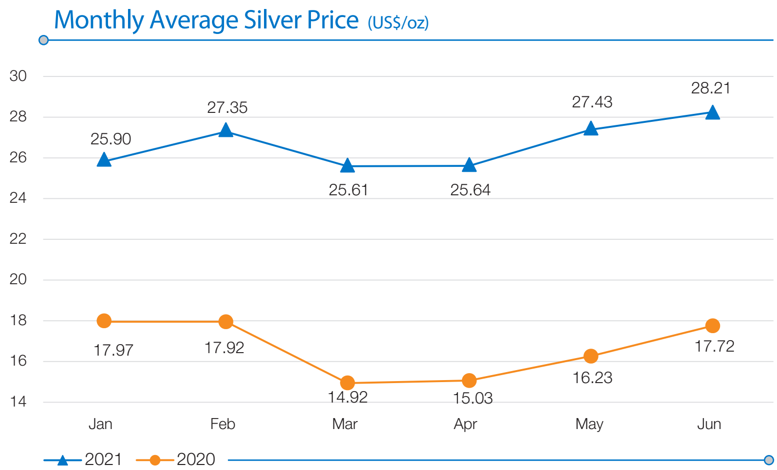
These rectification measures included (i) the disposal of certain hazardous waste stored in production workshops and warehouses; and (ii) the demolition of certain existing non-compliant facilities and construction of certain new compliant facilities according to the recommendations of the environmental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

Further details of the suspension are set out in the announcement published on 7 June 2021.

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 have approved in principle the resumption of production of Jiangxi Longtianyong's silver electrolysis production line (the "**Resumption of Production Notice**"). Pursuant to the Resumption of Production Notice, after conducting environmental compliance assessment on the silver workshop, the relevant authorities were of the view that the pollution prevention and control measures of Jiangxi Longtianyong after rectification were in compliance with the relevant environmental requirements. The Resumption of Production Notice also requires Jiangxi Longtianyong to further enhance its pollution prevention and control facilities and strictly implement its environmental protection management system, with a view to ensure that the discharge of pollutants consistently meet the required targets. Jiangxi Longtianyong will continue to closely communicate with the competent governmental authorities with a view to fully resume its production activities.

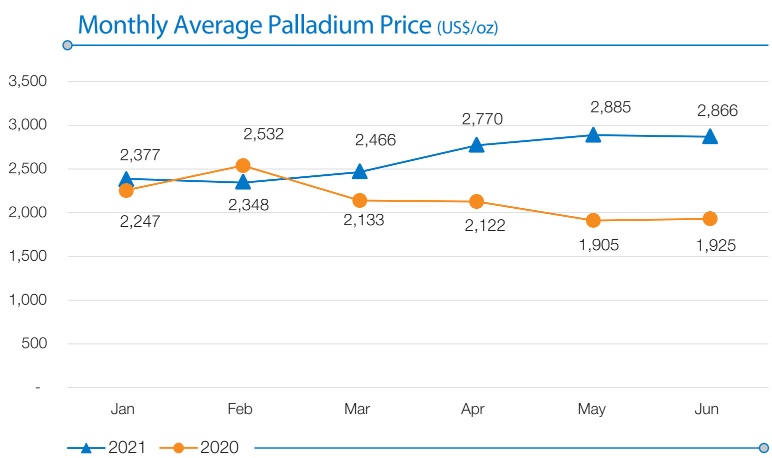
MANAGEMENT DISCUSSION AND ANALYSIS

The Group applied a proprietary production model to manufacture high quality silver ingots, gold products, palladium and other precious metals and the metal by-products derived therefrom. During 1H2021, we sold approximately 33 tonnes (1H2020: 13 tonnes) of silver ingots to our customers and produced approximately 22 tonnes (1H2020: 36 tonnes) of silver ingots. During 1H2021, the global silver market fluctuated somewhat. The graph below shows the change in international silver price quoted on the London Bullion Market Association from January 2021 to June 2021 and for the corresponding period of last year:



Source: The London Bullion Market Association

The Group recorded sales of approximately RMB1,448.2 million for 1H2021 (1H2020: RMB1,352.0 million) following the strong growth recorded continuously in the sales of palladium in the previous year. The Group's sales under the Manufacturing segment increased to approximately RMB1,748.7 million (1H2020: RMB1,568.3 million), up by approximately 11.5% over 1H2020. The graph below shows the change in international palladium price quoted on the London Bullion Market Association from January 2021 to June 2021 and for the corresponding period of last year:



Source: The London Bullion Market Association

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

During 1H2021, CSMall Group recorded sales of approximately RMB215.9 million (1H2020: RMB216.7 million), representing a slight decrease of approximately 0.4% as compared to that for the corresponding period in 2020.

As the epidemic in the PRC has entered a period of normalized prevention and control in the 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 throughout the last year, the CSMall Group also implemented a number of measures to deal with the crisis in the first half of the year, 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 CSMall 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 CSMall Group achieved turnaround from loss into profit and recorded a net profit attributable to owners of CSMall Group of approximately RMB20.1 million.

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

Online Sales Channels

- Third-Party Online Sales Channels
- Self-Operated Online Platform

Offline Retail and Service Network

- CSmall Shops
- Shenzhen Exhibition Hall
- Third-Party Offline Points of Sale

Product Design, Research and Development and Production

Online Sales Channels

(i) Third-party online sales channels

In 1H2021, the Group enhanced its online sales through new marketing models including short video marketing, e-commerce live streaming and online celebrity (KOL), relying on the strong traffic of third-party platforms. 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 of gold, silver and jewellery category of all top television channels, which enabled us to achieve satisfactory sales performance. With a daily coverage of over 100 million home viewers in the PRC, our brand awareness among Chinese viewers of television and video shopping channels was enhanced substantially.

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

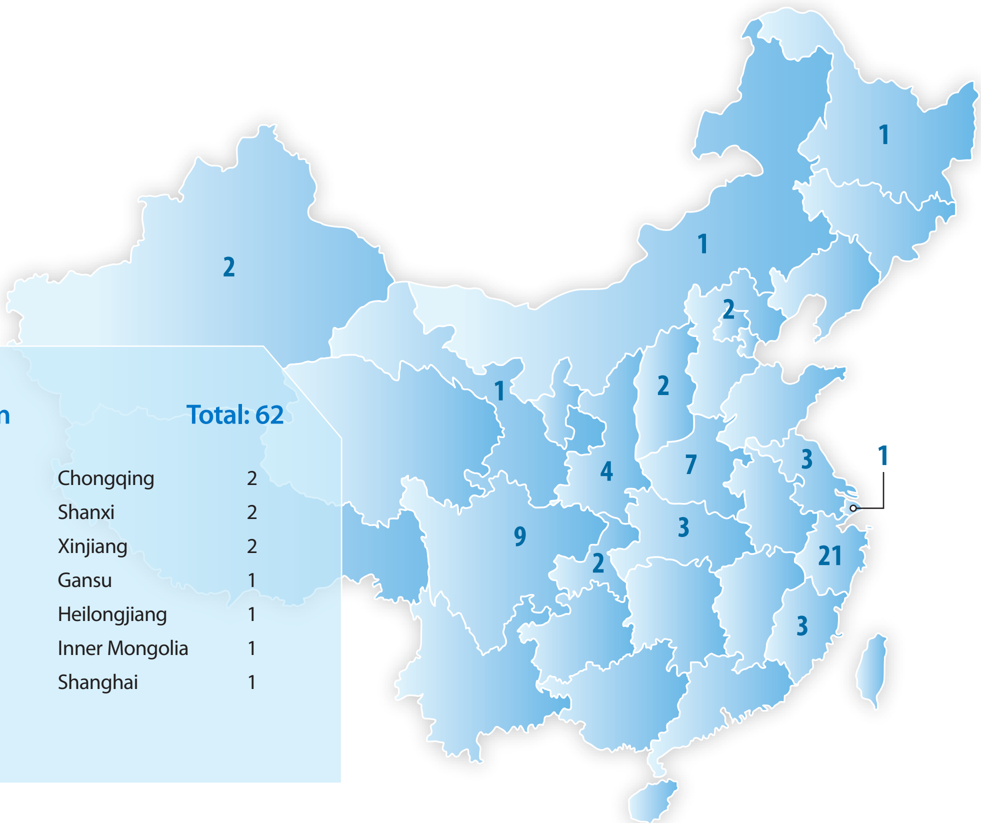
(ii) Self-operated online platform

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.

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, and 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.



Shops Distribution **Total: 62**

Zhejiang	21	Chongqing	2
Sichuan	9	Shanxi	2
Henan	7	Xinjiang	2
Shaanxi	4	Gansu	1
Fujian	3	Heilongjiang	1
Hubei	3	Inner Mongolia	1
Jiangsu	3	Shanghai	1
Beijing	2		

(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 cooperate with. We also cooperate with branded retailers, entertainment service providers, commercial banks, telecommunications service providers and insurance companies.

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.

Prospects

Since 2020, due to the continuous impact of COVID-19, the economy of all countries has slowed down to varying degrees. In order to revitalize the economy, countries including China have adopted relatively loose monetary policies, resulting in a strong demand for safe-haven assets including silver and gold products. Therefore, we still have full confidence in the manufacturing and sales of silver, gold products and other precious metals in the PRC. The Group will continue to focus on the production and sales of silver, gold and other precious metals as its main core businesses.

In addition, while pursuing business performance, the Group will emphasise business sustainability and strive to maintain higher standards of business practices in respect of environmental protection. The strict enforcement of the Central Ecological and Environmental Protection Inspection Group has greatly raised the industry's entry barriers of environmental protection. The Group expects to gradually resume production of its various production lines in a relatively short period of time, and endeavours to meet environmental requirements as soon as possible through rectification to fully resume its manufacturing operations. In the second half of the year, the Group will also proactively communicate with the local environmental protection authority, and proceed with rectification, such as demolition of non-compliant facilities, etc. The rectification will be further implemented in accordance with the rectification requirements of the central ecological and environmental protection inspection authorities. Meanwhile, environmental specialists will also be hired to conduct assessments and provide recommendations to ensure that the production pollution discharge meets the national environmental protection requirements and standards. On 24 August 2021, Jiangxi Longtianyong received the approval from the local environmental protection authority to resume production of its silver electrolysis production line, marking a critical step in the resumption of the Group's manufacturing business.

Due to the continuing impact of COVID-19, we will always remain vigilant in the tough retail environment. Although we still pay attention to the layout of offline channels, we need to adjust our future plan on expansion of the offline retail network depending on market conditions. For retail business, the Group will continue to plan and improve its business in accordance with the layout for the first half of the year and suspend the promotion of online self-operated platform to reduce expenses. It will accelerate digital marketing and rely on the operation of new marketing models including short video marketing, e-commerce live streaming, etc. on third-party platforms. In the future, the Group's retail business will also take the sales of rubies as a new growth point for the Company's business. 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. In the future, the Group will sell the processed Colored Gemstones to customers such as watch manufacturers on a wholesale basis; and set the processed Colored Gemstones into jewellery products such as earrings and rings for sale through the Group's online and offline retail channels. The Group will also explore and consider suitable business opportunities outside the jewellery industry, so that the Group can extend its experience, capabilities and resources in the field of new Internet retail to other Internet fields to make its business more diversified, with a view to enhancing the Group's ability to resist risks and profitability in the retail sector.

Based on the above, the Group will proactively respond to the impact of unfavorable factors including COVID-19, economic slowdown and other emergencies, conduct its operations steadily, and give full play to its advantages, so as to maintain sustained profitability. We believe that with the gradual easing of the epidemic, the Chinese and global economy will regain normal growth trends. The Group's Manufacturing segment has also seen the sign of resumption of production. In light of the multiple shocks caused by the high threshold for environmental protection policies of the central government, as well as the epidemic and the international environment, many inferior enterprises in the industry will have to withdraw from the industry as it is difficult for them to meet environmental requirements. This will lead to an equilibrium of production capacity in the industry. In the long run, this will be more conducive to the consolidation of the industry position and enhancement of market share of the Company's precious metal manufacturing business. We remain confident of the future.

FINANCIAL REVIEW

Revenue

The revenue of the Group for 1H2021 was approximately RMB1,990.1 million (1H2020: RMB1,809.8 million), representing an increase of approximately 10.0% from that of 1H2020.

	1H2021		1H2020	
	Revenue RMB'000	**% of revenue**	Revenue RMB'000	% of revenue
Manufacturing segment				
Sale of silver ingots	**161,325**	**8.1%**	43,555	2.4%
Sale of palladium	**1,448,152**	**72.8%**	1,351,991	74.7%
Sale of lead ingots, zinc oxide and other metal by-products	**139,181**	**7.0%**	172,776	9.5%
	1,748,658	**87.9%**	1,568,322	86.6%
New Jewellery Retail segment operated under CSMall Group				
Sale of gold, silver, gem-set and other jewellery products	**215,907**	**10.8%**	216,701	12.0%
Silver Exchange segment				
Commission income	**25,524**	**1.3%**	24,822	1.4%
Total	**1,990,089**	**100%**	1,809,845	100.0%

Manufacturing segment

Sales of silver ingots increased from approximately RMB43.6 million for 1H2020 to approximately RMB161.3 million for 1H2021, representing a significant increase of approximately 270.4% as compared to that for 1H2020, mainly due to the significant increase in demand of silver ingots.

The average selling price of silver ingots (value-added tax exclusive) significantly increased from approximately RMB3.4 million per tonne for 1H2020 to approximately RMB4.9 million per tonne for 1H2021. Sales volume of silver ingots increased from approximately 13 tonnes for 1H2020 to approximately 33 tonnes for 1H2021 due to the increase in demand.

Due to the continued strong market price of and demand for palladium, the Group recorded sales of palladium of approximately RMB1,448.2 million for 1H2021 (1H2020: RMB1,352.0 million), representing an increase of approximately 7.1% as compared to that for 1H2020. The growth in sales of palladium and silver ingots has led to an increase in the Group's sales for the Manufacturing segment to approximately RMB1,748.7 million (1H2020: RMB1,568.3 million), up by approximately 11.5% over 1H2020.

Other metal products such as lead ingots, zinc oxide, bismuth ingots and antimony ingots are produced during the production of silver ingots and palladium. Sales of other metal products decreased from approximately RMB172.8 million for 1H2020 to approximately RMB139.2 million for 1H2021.

New Jewellery Retail segment operated under CSMall Group

During 1H2021, CSMall Group recorded sales of approximately RMB215.9 million (1H2020: RMB216.7 million), representing a slight decrease of approximately 0.4% as compared to that for 1H2020.

Silver Exchange segment

During 1H2021, the Silver Exchange segment recorded sales of approximately RMB25.5 million (1H2020: RMB24.8 million), representing a slight increase of approximately 2.8% as compared to 1H2020, mainly due to the increase in transaction volume.

Cost of Sales and Services Provided

Manufacturing segment

Cost of sales mainly represents the cost of raw materials consumed, direct labor and manufacturing overhead. Cost of raw materials consumed 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 increased mainly due to the increase in the purchase and usage of raw materials for production during 1H2021.

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.

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. The amount increased mainly due to the increase in transaction volume during 1H2021.

Gross Profit and Gross Profit Margin

We recorded gross profit of approximately RMB91.7 million (1H2020: RMB221.4 million) for 1H2021, a significant decrease of approximately 58.6% as compared to that for 1H2020, mainly due to the decrease in gross profit of our Manufacturing segment and New Jewellery Retail segment operated under CSMall Group. The overall gross profit margin decreased from approximately 12.2% for 1H2020 to approximately 4.6% for 1H2021 mainly due to the significant increase of the purchase cost of the raw materials for 1H2021 as compared to those for 1H2020 of Manufacturing segment and the increase of sale of relatively low-margin gold products under the New Jewellery Retail segment operated under CSMall Group for 1H2021.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 26.6% from approximately RMB14.3 million to approximately RMB10.5 million for 1H2021, mainly due to the gradual workforce downsizing of the New Jewellery Retail segment between 1H2020 and 1H2021.

Administrative Expenses

Administrative expenses decreased by approximately 14.7% from approximately RMB47.5 million for 1H2020 to approximately RMB40.5 million for 1H2021, mainly due to the decrease in staff cost as a result of a decrease in the average number of staff members in 1H2021.

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. Pursuant 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. Further details are set out in the announcement published on 7 June 2021.

In regard to the rectification measure of disposal of hazardous waste stored in production workshops and warehouses, certain of Jiangxi Longtianyong's inventory of raw materials which 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.

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.

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 under CSMall 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 for 1H2020. No such loss existed in 1H2021.

Income Tax Expense

Income tax expenses decreased by approximately 40.9% from approximately RMB24.0 million for 1H2020 to approximately RMB14.2 million for 1H2021 mainly due to a decrease in assessable profit.

(Loss) Profit Attributable to Owners of the Company

For 1H2021, we recorded a loss attributable to owners of the Company of approximately RMB2,394.4 million (1H2020: profit of approximately RMB114.7 million). Such turnaround from profit to loss is mainly attributable to the write-off of inventories of approximately RMB2,408.5 million recorded for 1H2021, which has far outweighed (i) the decrease in administrative expenses as well as selling and distribution expenses primarily as a result of the gradual workforce downsizing of New Jewellery Retail segment between 1H2020 and 1H2021; (ii) the net reversal of impairment loss recognised in respect of trade receivables of approximately RMB10.1 million for 1H2021, as compared to the provision for impairment loss in this respect of approximately RMB2.3 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 195.1 days (for the year ended 31 December 2020: 206.0 days), the decrease was mainly due to the significant decrease in inventories from the Manufacturing segment as a result of write-off of inventories which partially net off by the increase in inventories as a result of the procurement of the Colored Gemstones under the New Jewellery Retail segment in April and May 2021 as mentioned under the paragraph headed "Liquidity and Financial Resources".

The turnover days for trade receivables for 1H2021 were approximately 6.2 days (for the year ended 31 December 2020: 17.6 days) mainly due to the decrease of trade receivable for 1H2021.

The turnover days for trade and bills payables for 1H2021 were approximately 11.1 days (for the year ended 31 December 2020: 8.9 days).

Borrowings

As of 30 June 2021, the Group's bank and other borrowings balance amounted to approximately RMB252.0 million (as of 31 December 2020: RMB205.0 million). The amounts are secured by certain assets of the Group and will be due for repayment within one year. Among them, approximately RMB242.0 million was carried at fixed interest rates, and approximately RMB10.0 million was carried at floating interest rates.

As of 31 December 2020, the Group also had trade loans carried at fixed interest rates amounting to approximately RMB10.0 million which are secured by certain assets of the Group. The trade loans have been fully settled during 1H2021.

The Group's net gearing ratio was calculated on the basis of total bank and other borrowings and trade loans less bank balances and cash as a percentage of total equity. As of 30 June 2021, the Group has a net gearing ratio of approximately 19.3% (as of 31 December 2020: -26.8%).

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 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
– Property, plant and equipment	69,836	82,440
– Leasehold lands (included in right-of-use assets)	16,610	–
– Inventories	–	270,859
– Trade receivables	–	75,000
– Pledged bank deposit	40,057	47,008
– VAT rebate receivable	–	41,822
	126,503	517,129

Capital Expenditures

For 1H2021, the Group invested approximately RMB22.7 million in property, plant and equipment (1H2020: RMB10.1 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 property, plant and equipment	3,699	15,307

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 390 staff members (as of 31 December 2020: 914 staff members) and the total remuneration for 1H2021 amounted to approximately RMB17.5 million (1H2020: RMB28.8 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 (predominantly rubies, and also small quantities of sapphires and emeralds) (the "**Colored Gemstones**") for an aggregate consideration of approximately RMB810.0 million under the New Jewellery Retail segment. 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 monetize 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.

The Group was principally financed by internal resources and bank borrowings. The Group's principal financial 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 2021, the bank balances and cash, net current assets and total assets less current liabilities were approximately RMB7.6million (as of 31 December 2020: RMB1,193.0 million), RMB994.1 million (as of 31 December 2020: RMB3,364.4 million) and RMB1,301.1 million (as of 31 December 2020: RMB3,682.1 million), respectively. During 1H 2021, the trade loans have been fully settled (as of 31 December 2020: RMB10.0 million).

Interim Dividend

The Board 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 under CSMall 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 "**Huzhou Municipal Bureau**"), and a compensation agreement with the Committee, pursuant to which (a) the Committee and the Huzhou Municipal Bureau agreed to terminate the Acquisition described in note 12(v) 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 under CSMall 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.

Significant Events After the Reporting Period

Subsequent to 30 June 2021, in regard to the procurement of 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 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 have approved in principle the resumption of production of Jiangxi Longtianyong's silver electrolysis production line.

On 29 August 2021, Shenzhen Guojintongbao Company Limited* (深圳國金通寶有限公司) ("**Guojintongbao**") (a wholly-owned subsidiary of CSMall Group and a non 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 CSMall shares (the "**Consideration Shares**").

The Consideration Shares will be allotted and issued under the General Mandate 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 CSMall as of 29 August 2021; and (ii) approximately 7.47% of the issued share capital of CSMall 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 CSMall 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.

Immediately after the allotment and issue of the Consideration Shares, the percentage shareholding of the Company in CSMall will be diluted from approximately 40.39% to approximately 37.37%. It is expected that CSMall will be deconsolidated and no longer remain a subsidiary of the Company following completion of the allotment and issue of the Consideration Shares, and will merely be accounted for as an associate of the Company using the equity method. As such, the CSMall Group's financial results, assets, liabilities and cash flows will no longer be consolidated in the Company's consolidated financial statements, yet the Company's approximately 37.37% share of the CSMall Group's post-tax profits or losses will be recognized as the Company's income from investments accounted for using the equity method and hence effectively added back to the profits or losses attributable to owners of the Company.

On the basis of the above and that Nongmuren will become a non wholly-owned subsidiary of CSMall Group, it is expected that Nongmuren will be consolidated by CSMall and CSMall will be accounted for as an associate of the Company using the equity method upon Completion.

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

On behalf of the Board
Chen Wantian
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, 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/ Beneficial interest[2]	411,422,187	25.27%
Mr. Song Guosheng	Beneficial interest[3]	956,797	0.06%

Notes:

1. All interests are long positions.

2. 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.

3. 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/ Beneficial interest[2]	10,479,536	0.85%

Notes:

1. All interests are long positions.

2. 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.

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.

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.

Interests in Shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of Shares[1]	Approximate percentage of interest in our Company
Pandanus Associates Inc.	Interest in controlled corporation[2]	129,904,000	7.98%
Pandanus Partners L.P.	Interest in controlled corporation[2]	129,904,000	7.98%
FIL Limited	Interest in controlled corporation[2]	129,904,000	7.98%

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 129,904,000 Shares through various wholly-owned subsidiaries.

Save 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.

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 2021 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1 January 2021	Exercised during the period	Lapsed during the period	Outstanding as of 30 June 2021
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	22,200,000	–	(1,200,000)	21,000,000
	2 January 2015	HK$1.80	2 January 2016 – 1 January 2025	44,800,000	–	–	44,800,000
				72,150,000	–	(1,200,000)	70,950,000

The total number of Shares available for issue under the 2012 Scheme is 70,950,000, representing approximately 4.35% of the Company's issued share capital as of 30 June 2021.

Details of the movement of the share options granted under the 2015 Scheme during the six months ended 30 June 2021 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1 January 2021	Exercised during the period	Lapsed during the period	Outstanding as of 30 June 2021
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 4.97% of the Company's issued share capital as of 30 June 2021.

Notes:

1. 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.

2. 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)

3. 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)

4. No share option granted under the 2012 Scheme and the 2015 Scheme was exercised during the six months ended 30 June 2021.

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 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 1H2021, the Company had complied with the code provisions under the CG Code, except for the following deviations:

Pursuant to code provision A.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.

Pursuant to code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, two independent non-executive Directors were unable to attend the annual general meeting held on 15 June 2021.

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 THE 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, 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 2021. 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.

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 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 2020 annual report.

On behalf of the Board
Chen Wantian
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	4	**1,990,089**	1,809,845
Cost of sales and services provided		**(1,898,369)**	(1,588,429)
Gross profit		**91,720**	221,416
Other income		**4,724**	7,073
Other gains and losses		**(65)**	822
Write-off of inventories	11	**(2,408,511)**	–
Reversal of (provision for) impairment loss under expected credit loss model, net	13	**10,058**	(2,307)
Impairment loss recognised in respect of property, plant and equipment	9	**(6,800)**	–
Selling and distribution expenses		**(10,451)**	(14,310)
Administrative expenses		**(40,483)**	(47,487)
Research and development expenses		**(1,001)**	(1,086)
Other expenses		**(1,550)**	(4,858)
Net loss on termination of assignment contract in relation to acquisition of a land use right	12(v)	**–**	(26,656)
Finance costs		**(6,139)**	(5,185)
(Loss) profit before tax		**(2,368,498)**	127,422
Income tax expense	5	**(14,210)**	(24,024)
(Loss) profit for the period	6	**(2,382,708)**	103,398
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on investment in an equity instrument at fair value through other comprehensive income ("**FVTOCI**")		**(16)**	(1,544)
Total comprehensive (expense) income for the period		**(2,382,724)**	101,854
(Loss) profit for the period attributable to:			
Owners of the Company		**(2,394,372)**	114,661
Non-controlling interests		**11,664**	(11,263)
		(2,382,708)	103,398
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(2,394,388)**	113,117
Non-controlling interests		**11,664**	(11,263)
		(2,382,724)	101,854
(Loss) earnings per share	8	**RMB**	RMB
Basic		**(1.470)**	0.070
Diluted		**(1.470)**	0.070

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	9	**154,312**	147,032
Right-of-use assets	9	**25,724**	25,515
Intangible assets	9	**95,580**	100,938
Deferred tax assets		**9,849**	15,966
Refundable rental deposits		**919**	1,096
Equity instrument at FVTOCI		**7,391**	7,407
Deposits paid on acquisition of non-current assets	10	**13,294**	19,749
		307,069	317,703
CURRENT ASSETS			
Inventories	11	**1,470,506**	2,577,583
Trade and other receivables	12	**102,026**	304,155
Restricted bank balances	14	**85,925**	76,370
Pledged bank deposits	14	**40,057**	47,008
Bank balances and cash		**7,541**	1,192,989
		1,706,055	4,198,105
CURRENT LIABILITIES			
Trade, bills and other payables	15	**417,450**	529,583
Trade loans	16	**–**	10,000
Lease liabilities – current portion		**3,447**	6,659
Contract liabilities		**23,481**	53,284
Deferred income		**2,066**	2,066
Income tax payable		**13,558**	27,074
Bank borrowings	17	**252,000**	205,000
		712,002	833,666
NET CURRENT ASSETS		**994,053**	3,364,439
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,301,122**	3,682,142

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	NOTES	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	18	**13,284**	13,284
Share premium and reserves		**406,369**	2,800,757
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**419,653**	2,814,041
Non-controlling interests		**844,351**	832,687
TOTAL EQUITY		**1,264,004**	3,646,728
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**17,343**	18,260
Lease liabilities – non-current portion		**5,768**	2,114
Deferred income		**14,007**	15,040
		37,118	35,414
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**1,301,122**	3,682,142

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	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 2020 (audited)	13,275	1,100,342	91,709	129,731	185,892	(2,736)	–	1,069,036	2,587,249	854,406	3,441,655
Profit (loss) for the period	–	–	–	–	–	–	–	114,661	114,661	(11,263)	103,398
Fair value loss on investment in an equity instrument at FVTOCI	–	–	–	–	–	–	(1,544)	–	(1,544)	–	(1,544)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(1,544)	114,661	113,117	(11,263)	101,854
Transfer	–	–	–	–	31,245	–	–	(31,245)	–	–	–
At 30 June 2020 (unaudited)	13,275	1,100,342	91,709	129,731	217,137	(2,736)	(1,544)	1,152,452	2,700,366	843,143	3,543,509
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)
Fair value loss on investment in an equity instrument at FVTOCI	–	–	–	–	–	–	(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

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 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
(Loss) profit before tax	**(2,368,498)**	127,422
Adjustments for non-cash transactions and items associated with investing or financing activities	**2,427,194**	45,516
Operating cash flows before movements in working capital	**58,696**	172,938
(Increase) decrease in inventories	**(1,301,434)**	126,734
Decrease (increase) in trade and other receivables	**214,364**	(166,346)
(Decrease) increase in trade, bills and other payables	**(127,073)**	106,292
Other working capital movements	**(39,358)**	2,203
Cash (used in) generated from operations	**(1,194,805)**	241,821
Income tax paid	**(22,526)**	(46,634)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(1,217,331)**	195,187
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**47,061**	–
Bank interest received	**861**	1,236
Proceeds from disposal of property, plant and equipment	**45**	–
Placement of pledged bank deposits	**(40,110)**	–
Deposits paid on acquisition of plant and equipment	**(2,466)**	(6,731)
Purchases of property, plant and equipment	**(828)**	(9,090)
Refund of deposits paid on acquisition of a land use right	**–**	175,500
Deposits paid on acquisition of intangible assets	**–**	(24,310)
Purchases of intangible assets	**–**	(9,812)
Deposits and other direct costs paid on acquisition of a land use right	**–**	(6,016)
NET CASH FROM INVESTING ACTIVITIES	**4,563**	120,777
FINANCING ACTIVITIES		
New bank borrowings raised	**164,500**	147,500
Repayments of bank borrowings	**(117,500)**	(90,000)
Repayment of a trade loan	**(10,000)**	(10,000)
Interest paid	**(6,139)**	(5,185)
Repayments of lease liabilities	**(3,506)**	(4,578)
Repayments to 上海華通白銀國際交易中心 ("**Huatong International**")	**(35)**	–
NET CASH FROM FINANCING ACTIVITIES	**27,320**	37,737

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,185,448)**	353,701
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,192,989**	610,679
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**–**	(16)
CASH AND CASH EQUIVALENTS AT 30 JUNE, REPRESENTED BY BANK BALANCES AND CASH	**7,541**	964,364

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

On 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 Nonferrous Metals Co., Ltd. (江西龍天勇有色金屬有限公司) ("**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. The implementation of the aforesaid rectification measures have the following impact on the Group: i) 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, the carrying value of such inventory, which as of 30 June 2021 amounted to RMB2,408,511,000, is reduced to zero; ii) Jiangxi Longtianyong has demolished non-compliant facilities in accordance with the competent governmental authorities' requirements, which results in a reduction in the value of the Group's property, plant and equipment of approximately RMB6,800,000 and therefore reducing the Group's total assets.

For the six months ended 30 June 2021, a subsidiary in the New Jewellery Retail segment (as defined in Note 3) 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 adopts the going concern basis in preparing its condensed consolidated financial statements.

For the six months ended 30 June 2021, the Group incurred a loss of approximately RMB2,382,708,000 which is mainly attributable to the write-off of inventories in the amount of approximately RMB2,408,511,000 as a result of certain of inventory of raw materials of Jiangxi Longtianyong being deemed to be hazardous waste and ordered to be disposed of and the impairment loss in the amount of approximately RMB6,800,000 recognised in regard to the rectification measure of demolition of non-compliant facilities and construction of compliant facilities. As at 30 June 2021, the Group had net current assets and net assets of approximately RMB994,053,000 and RMB1,264,004,000, respectively.

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 RMB7,541,000, in contrast to its total current liabilities of approximately RMB712,002,000 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 recent weeks, 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 monetize the Colored Gemstones in the short run.

1. BASIS OF PREPARATION (Continued)

1B. Going concern assessment (Continued)

The directors of the Company are of the opinion that the Group will have adequate funds to finance its future financing requirements and working capital based on the following considerations:

(a) In light of the circumstances of Group's production halt of Jiangxi Longtianyong, the Group is 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 as soon as possible, and currently the Group has reduced and minimised the operating cash outflows by actively mitigating of the work flows of the staffs;

(b) 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 have approved in principle the resumption of production of Jiangxi Longtianyong's silver electrolysis production line;

(c) 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

(d) The Group has maintained long business relationship with its principal banker and the principal banker has confirmed their willingness to provide banking facilities of not less than approximately RMB240,000,000 and available at least to the next financial year ending 31 December 2022.

In view of the above, the directors of the Company are confident that there will be sufficient financial resources available to the Group to enable it to meet its immediate obligation and liabilities as and when they fall due and to continue to operate for at least the next twelve months from the date of issuance of these condensed consolidated financial statements. Accordingly, the directors of the Company have prepared the condensed consolidated interim financial statements on a going concern basis. The condensed consolidated interim financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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

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.

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, gem-set and other jewellery products in the PRC ("**New Jewellery Retail segment**"); and

(iii) providing professional electronic platform and related services for trading of silver ingots ("**Silver Exchange segment**").

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

Segment revenue and results

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

	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.

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Six months ended 30 June 2020					
	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	1,568,322	216,701	24,822	1,809,845	–	1,809,845
Inter-segment sales*	125,118	44	–	125,162	(125,162)	–
Total segment revenue	1,693,440	216,745	24,822	1,935,007	(125,162)	1,809,845
Results						
Segment results	136,781	10,374	19,026	166,181		166,181
Non-segment items						
Unallocated income, expenses, gains and losses						(7,673)
Net loss on termination of assignment contract in relation to acquisition of a land use right						(26,656)
Unallocated finance costs						(4,430)
Profit before tax						127,422

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

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

Geographical information

The Group's operations are located in the PRC. All of the Group's revenue during the six months ended 30 June 2021 and 2020 are generated in the PRC.

4. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
Segments – By types of goods and services	**2021** **RMB'000** **(unaudited)**	2020 RMB'000 (unaudited)
Manufacturing segment		
– Sales of silver ingots	**161,325**	43,555
– Sales of palladium	**1,448,152**	1,351,991
– Sales of lead ingots	**57,472**	75,992
– Sales of zinc oxide	**–**	1,990
– Sales of other metal by-products	**81,709**	94,794
	1,748,658	1,568,322
New Jewellery Retail segment		
– Sales of gold products	**103,773**	63,610
– Sales of silver products	**111,429**	150,624
– Sales of gem-set and other jewellery products	**705**	2,467
	215,907	216,701
Silver Exchange segment		
– Commission income	**25,524**	24,822
Total	**1,990,089**	1,809,845

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

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 **RMB'000** **(unaudited)**	2020 RMB'000 (unaudited)
PRC Enterprise Income Tax ("**EIT**")		
– Current period	**7,551**	32,504
– Underprovision in respect of prior periods	**1,459**	204
	9,010	32,708
Deferred taxation for the period	**5,200**	(8,684)
	14,210	24,024

5. INCOME TAX EXPENSE (Continued)

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 (30 June 2020: 2019 to 2021) and was subject to review once every three years. Shanghai Huatong Silver Exchange Company Limited (上海華通鉑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. Shenzhen Yunpeng Software Development Company Limited (深圳雲鵬軟件開發有限公司) ("**Shenzhen Yunpeng**"), a former indirect non wholly-owned subsidiary of the Group, was disposed of on 28 December 2020 and it was recognised as a Software Enterprise by the PRC tax authorities and it was entitled to an exemption of PRC EIT for the first two consecutive years beginning from 2016 and a 50% reduction for the following three consecutive years. For the 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 RMB36,251,000 (31 December 2020: RMB34,462,000) available for offset against future profits. Included in unrecognised tax losses are losses of RMB32,008,000 (31 December 2020: RMB30,165,000) that will expire in various dates in 2021 to 2026 (31 December 2020: 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 RMB776.2 million as at 30 June 2021 (31 December 2020: RMB2,355.6 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.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	**1,896,990**	1,587,325
Write-off of inventories	**2,408,511**	–
Net loss on termination of assignment contract in relation to acquisition of a land use right	**–**	26,656
Impairment loss recognised in respect of property, plant and equipment	**6,800**	–
Depreciation of property, plant and equipment	**8,618**	9,281
Depreciation of right-of-use assets	**3,857**	4,812
Amortisation of intangible assets (included in administrative expenses and selling and distribution expenses)	**5,358**	4,839
Bank interest income	**(861)**	(1,236)
Net exchange loss (gain)	**63**	(822)
Gain on disposal of property, plant and equipment	**(19)**	–
Expenses on short-team leases in respect of office premises, warehouse and retail shops	**2,901**	2,638

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

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share (RMB'000)	**(2,394,372)**	114,661
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share (in thousand)	**1,628,400**	1,627,351

For the six months ended 30 June 2021 and 2020, the computation of diluted (loss) earnings 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 disposed of certain motor vehicles with an aggregate carrying amount of RMB26,000 (six months ended 30 June 2020: nil) for cash proceeds of RMB45,000 (six months ended 30 June 2020: nil), resulting in a gain on disposal of RMB19,000 (six months ended 30 June 2020: nil).

During the current interim period, the Group acquired property, plant and equipment of RMB22,726,000 (six months ended 30 June 2020: RMB10,121,000) mainly consist of plant and machinery and leasehold improvements for the expansion of its production scale and enhancement of production efficiency.

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 office premises and showrooms). 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 (six months ended 30 June 2020: RMB10,759,000) and lease liabilities of RMB9,057,000 (six months ended 30 June 2020: RMB10,759,000).

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

In regard to 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.

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

10. 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 intangible assets *(Note i)*	**12,959**	12,959
Deposits paid on acquisition of plant and equipment *(Note ii)*	**335**	6,790
	13,294	19,749

Notes:

i. During the six months ended 30 June 2021, no deposits were further paid for the Group's certain software of online exchange platform under Silver Exchange segment.

ii. 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 23.

11. INVENTORIES

During the current interim period, certain of Jiangxi Longtianyong's inventory of raw materials with an amount of approximately RMB2,408,511,000 which previously being refined for production purposes was deemed to be hazardous waste pursuant to the Notices 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 during the six months ended 30 June 2021.

During the current interim period, the Group entered into several agreements with an independent third party jewellery enterprise to procure the 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 of the Company, 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 monetize 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.

12. TRADE AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade receivables for contracts with customers *(Note i)*	**50,206**	115,710
Less: allowance for credit losses	**(10,964)**	(21,022)
	39,242	94,688
Deposits and prepayments	**13,130**	17,521
Prepayments to suppliers *(Note ii)*	**16,239**	76,763
Value-added tax ("**VAT**") recoverable	**33,415**	28,587
VAT rebate receivable *(Notes i and iv)*	**–**	41,822
Amount due from a former subsidiary, Shenzhen Yunpeng *(Note iii)*	**–**	19,499
Other receivable arising from termination of assignment contract of a land use right from the PRC government *(Note v)*	**–**	25,275
	102,026	304,155

12. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(i) The Group has pledged trade receivables with a carrying value of nil at 30 June 2021 (31 December 2020: RMB75,000,000) and VAT rebate receivable with a carrying value of nil (31 December 2020: RMB41,822,000) to secure banking facilities of the Group as set out in Note 20.

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

(iii) Amount due from a former subsidiary, Shenzhen Yunpeng, was fully received during the current interim period.

(iv) Pursuant to the Notice on Issuing the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2015] No. 78), Jiangxi Longtianyong utilises recycled materials in the course of production of metal products and is therefore subject to a preferential policy of an immediate VAT refund of 30%.

(v) 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 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 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 15.

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 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 – 30 days	**32,592**	41,788
31 – 60 days	**1,112**	42,972
61 – 90 days	**907**	1,789
Over 90 days	**4,631**	8,139
	39,242	94,688

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 2021 and 2020 are set out in Note 13.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reversal of (provision for) impairment loss recognised in respect of trade receivables, net	**10,058**	(2,307)

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 2021 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

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 2021 and 2020, 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 2021, pledged bank deposits amounting to RMB40,000,000 (31 December 2020: RMB47,000,000) represent deposits pledged to a bank to secure bills payables (see Note 15(i)) of the Group. Another deposit amounting to RMB57,000 (31 December 2020: RMB8,000) represents a deposit pledged to another bank to secure short-term bank borrowings (see Note 17) drawn by 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.

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 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade payables		
0 – 30 days	**65,541**	103,517
31 – 60 days	**371**	9,896
61 – 90 days	**76**	347
Over 90 days	**33,277**	17,283
	99,265	131,043
Other payables and accrued expenses	**93,566**	59,305
Bills payables *(Note i)*	**80,000**	94,000
Deposits received for using the silver exchange platform	**85,925**	76,370
Amount due to Huatong International *(Note ii)*	**19,338**	19,373
VAT and other tax payables	**17,965**	95,899
Customer receipts in advance	**403**	1,864
Provision for environmental pollution rectification	**12,626**	12,626
Provision for termination of assignment contracts *(Note iii and Note 12(v))*	**8,362**	39,103
	417,450	529,583

Notes:

(i) As at 30 June 2021, bills payables amounting to RMB40,000,000 were secured by pledged bank deposits of RMB40,000,000 (see Note 14). The remaining bills payables amounting to RMB40,000,000 were secured by machinery with a carrying value of approximately RMB7,440,000. All bills payables were issued to a supplier of the Manufacturing segment for repayment in February 2022. In addition, the bill payables were secured by personal guarantees executed by Mr. Chen Wantian (a director of the Company).

As at 31 December 2020, bills payables amounting to RMB47,000,000 were secured by pledged bank deposits of RMB47,000,000 (see Note 14). The remaining bills payables amounting to RMB47,000,000 were secured by machinery with a carrying value of approximately RMB15,934,000. All bills payables were issued to a supplier of the Manufacturing segment for repayment in February 2021. During the current interim period, the bills payables were fully settled by the Group and the pledged bank deposits and the pledge of machinery were released.

(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) 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 the Company 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.

16. TRADE LOANS

During the year ended 31 December 2020, the Group obtained a new trade loan of RMB9,428,000. The trade loans carried interest at a fixed rate of 5.66% per annum. The amounts has been repaid during the six months ended 30 June 2021.

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

Details of the Group's assets pledged to secure above trade loans are set out in Note 20.

17. BANK BORROWINGS

During the six months ended 30 June 2021, the Group repaid bank borrowings of RMB117,500,000 (six months ended 30 June 2020: RMB90,000,000) and obtained new bank borrowings of RMB164,500,000 (six months ended 30 June 2020: RMB147,500,000).

Included in the balances, Jiangxi Longtianyong has an amount of RMB230,000,000 (31 December 2020: RMB25,500,000) with personal guarantees given by Mr. Chen Wantian, a director of the Company and his spouse.

Bank borrowings of RMB242,000,000 as at 30 June 2021 (31 December 2020: RMB202,000,000) carry interest at fixed rates, ranging from 5.25% to 6.09% (31 December 2020: 5.80% to 6.09%) per annum and RMB10,000,000 (31 December 2020: RMB3,000,000) carry interest at loan prime rate plus 2.68% (31 December 2020: loan prime rate plus 2.48%) per annum and are secured by certain of the Group's assets as set out in Note 20.

18. SHARE CAPITAL

	Number of shares	Share capital HK$'000	RMB'000
Ordinary share of HK$0.01 each:			
Authorised			
At 1 January 2020, 30 June 2020, 31 December 2020, 1 January 2021 and 30 June 2021	3,000,000,000	30,000	24,386
Issued			
At 1 January 2020 and 30 June 2020	1,627,350,589	16,274	13,275
Exercise of share options *(Note)*	1,050,000	11	9
At 31 December 2020, 1 January 2021 and 30 June 2021	1,628,400,589	16,285	13,284

Note: During the year ended 31 December 2020, certain share options were exercised by holders to subscribe for 1,050,000 shares (30 June 2021: nil) of the Company. The share option exercise price for those options was HK$0.96 (30 June 2021: N/A) per share.

As at 30 June 2021, the number of shares in respect of which options had been granted and remained outstanding was 151,950,000 (31 December 2020: 153,150,000) representing 9.33% (31 December 2020: 9.40%) 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.

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 2021, there were share options of 1,200,000 lapsed (for the six months ended 30 June 2020: nil) under the Scheme. No share options were granted or exercised during the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

As at 30 June 2021, the outstanding share options under the Scheme were 70,950,000 (31 December 2020: 72,150,000), and the outstanding share options under the New Scheme were 81,000,000 (31 December 2020: 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 2020.

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 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Property, plant and equipment	69,836	82,440
Leasehold lands (included in the right-of-use assets)	16,610	–
Inventories	–	270,859
Trade receivables	–	75,000
Pledged bank deposits	40,057	47,008
VAT rebate receivable	–	41,822
	126,503	517,129

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	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Salaries and other allowances	1,579	2,499
Retirement benefits schemes contributions	16	24
	1,595	2,523

22. 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 2021 RMB'000 (unaudited)	Fair value as at 31 December 2020 RMB'000 (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Equity instrument at FVTOCI	7,391	7,407	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	Discount factor of lack of control: the higher the discount factor, the lower the fair value

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

	2021 RMB'000	2020 RMB'000
As at 1 January (audited)	**7,407**	8,963
Unrealised loss in other comprehensive income	**(16)**	(1,544)
As at 30 June (unaudited)	**7,391**	7,419

22. 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.

23. 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 property, plant and equipment	**3,699**	15,307

24. 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 premises and staff quarters for 2 years (six months ended 30 June 2020: two new lease agreements for the use of office premises and showrooms). On the lease commencement, the Group recognised RMB9,057,000 (six months ended 30 June 2020: RMB10,759,000) of right-of-use assets and RMB9,057,000 (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 as disclosed in Note 16 and trade payables amounting to RMB9,428,000 (six months ended 30 June 2021: nil) was settled by trade loans.

25. EVENTS AFTER REPORTING PERIOD

Subsequent to 30 June 2021, in regard to the procurement of Colored Gemstones as detailed in Note 11, 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 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 have approved in principle the resumption of production of Jiangxi Longtianyong's silver electrolysis production line.

25. EVENTS AFTER REPORTING PERIOD (Continued)

On 29 August 2021, Shenzhen Guojintongbao Company Limited (深圳國金通寶有限公司) ("**Guojintongbao**"), an indirect non wholly-owned subsidiary of the Group 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 the 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 CSMall Cayman Shares (the "**Consideration Shares**").

The Consideration Shares will be allotted and issued under the general mandate 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 CSMall Cayman as of 29 August 2021; and (ii) approximately 7.47% of the issued share capital of CSMall Cayman 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 CSMall Cayman 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 the Nongmuren as a non wholly-owned subsidiary and obtain 94% effective ownership in Nongmuren.

Immediately after the allotment and issue of the Consideration Shares, the percentage shareholding of the Company in CSMall Cayman will be diluted from approximately 40.39% to approximately 37.37%. It is expected that CSMall Cayman will be deconsolidated and no longer remain a subsidiary of the Company following completion of the allotment and issue of the Consideration Shares, and will merely be accounted for as an associate of the Company using the equity method. As such, the CSMall Cayman's financial results, assets, liabilities and cash flows will no longer be consolidated in the Company's consolidated financial statements, yet the Company's approximately 37.37% share of the CSMall Cayman's post-tax profits or losses will be recognized as the Company's income from investments accounted for using the equity method and hence effectively added back to the profits or losses attributable to owners of the Company.

On the basis of the above and that Nongmuren will become a non wholly-owned subsidiary of CSMall Cayman, it is expected that Nongmuren will be consolidated by CSMall Cayman and CSMall Cayman will be accounted for as an associate of the Company using the equity method upon Completion.