金猫银猫CSmall

金貓銀貓集團有限公司
CSMall Group Limited

（Incorporated in the Cayman Islands with limited liability）

Stock Code：1815

ANNUAL REPORT 2021

CONTENTS

Corporate Information	2
Financial Highlights	4
Our Milestones	5
Selected Brands and Products	6
Chairman's Statement	8
Management Discussion and Analysis	16
Biographies of Directors and Senior Management	25
Corporate Governance Report	28
Report of the Directors	43
Independent Auditor's Report	55
Consolidated Statement of Profit or Loss and Other Comprehensive Income	60
Consolidated Statement of Financial Position	61
Consolidated Statement of Changes in Equity	62
Consolidated Statement of Cash Flows	63
Notes to the Consolidated Financial Statements	65
Five Years' Financial Summary	130

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hu Qilin
Zhang Zuhui (張祖輝)
Yu Leung Fai (余亮暉) *(Appointed on 19 November 2021)*
Fu Lui (府磊) *(Resigned on 19 November 2021)*

AUDIT COMMITTEE

Yu Leung Fai *(Chairman)* *(Appointed on 19 November 2021)*
Hu Qilin
Zhang Zuhui
Fu Lui *(Resigned on 19 November 2021)*

REMUNERATION COMMITTEE

Zhang Zuhui *(Chairman)*
Hu Qilin
Yu Leung Fai *(Appointed on 19 November 2021)*
Fu Lui *(Resigned on 19 November 2021)*

NOMINATION COMMITTEE

Chen He *(Chairman)*
Zhang Zuhui
Yu Leung Fai *(Appointed on 19 November 2021)*
Fu Lui *(Resigned on 19 November 2021)*

COMPANY SECRETARY

Chan Sau Ling (陳秀玲)

AUTHORISED REPRESENTATIVES

Chen He
Chan Sau Ling

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE

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

CORPORATE INFORMATION

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1415, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

COMPANY'S WEBSITE

www.csmall.com

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
1815

PRINCIPAL BANKERS

China Merchants Bank Co., Ltd.
Industrial Bank Co., Ltd.

AUDITOR

Moore Stephens CPA Limited
Registered Public Interest Entity Auditors

LEGAL ADVISORS

Hong Kong law:

Sullivan & Cromwell (Hong Kong) LLP

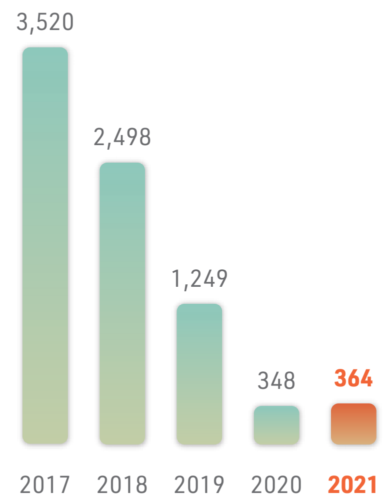
Cayman Islands law:

Ogier

FINANCIAL HIGHLIGHTS

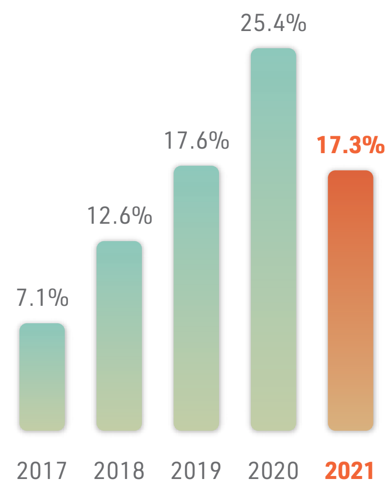
Revenue

RMB million



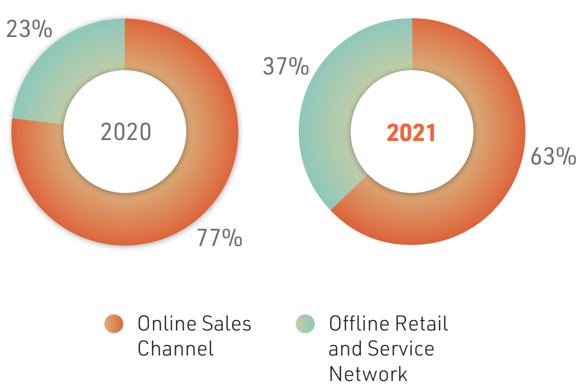
Gross Profit Margin

%



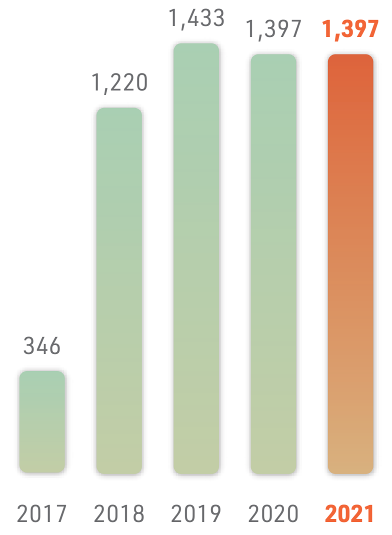
Revenue by Sales Channels

%



Net Assets

RMB million



OUR MILESTONES

Mar 2018
CSMall Group Limited (Stock code:1815) was successfully listed on The Stock Exchange of Hong Kong Limited

Dec 2021
Invested in Jiangsu Nongmuren Electronic Business Corp. (江蘇農牧人電子商務股份有限公司) to expand our business operations to the "Nongmuren" ("農牧人") S2B2C platform of agricultural products in the PRC

2018
Became an executive vice president unit (常務副會長單位) of the Silver Branch under the Gems & Jewelry Trade Association of China (中國珠寶玉石首飾行業協會白銀分會)

Established the Gold and Jewellery Big Data Professional Committee (黃金珠寶大數據專業委員會) under the Shenzhen Big Data Research and Application Association (深圳市大數據研究與應用協會)

2013
Commencement of our online business

2014
Launched our Internet website www.csmall.cn, which was later changed to www.csmall.com

Our first franchised CSmall Shop was opened, marking the commencement of our offline business

Opened our flagship Shenzhen Exhibition Hall in Shuibei, Shenzhen

2015
Mobile website m.csmall.com was launched

Mobile app "金貓銀貓 CSmall" was launched

SELECTED BRANDS AND PRODUCTS

SELECTED BRANDS AND PRODUCTS

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of CSMall Group Limited (the "**Company**"or "**CSMall**"), I am pleased to present the annual results of the Company and its subsidiaries (collectively the "**Group**" or "**we**") for the financial year ended 31 December 2021 (or the "**current year**", "**this year**" or "**during the year**") together with the comparative figures for the year ended 31 December 2020 (or the "**last year**", "**prior year**" or "**previous year**").

BUSINESS REVIEW

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

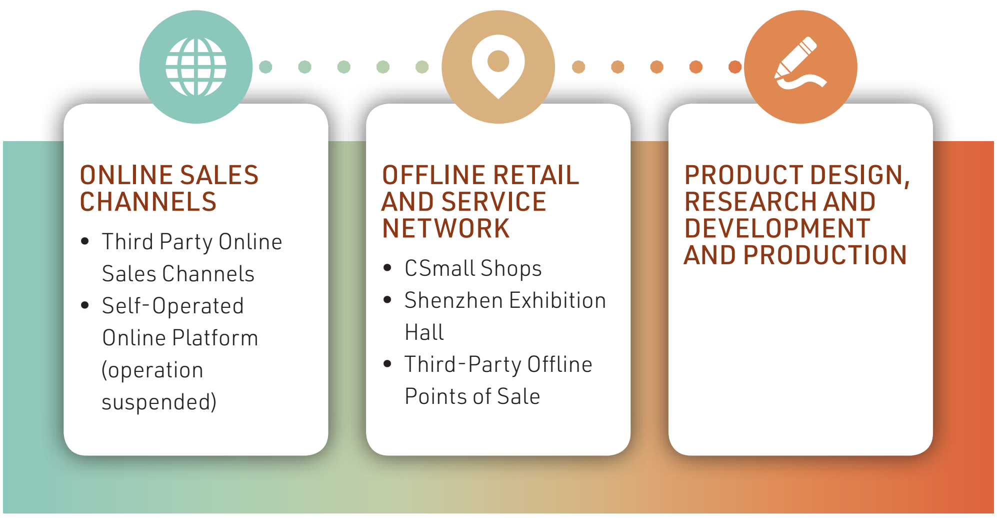
During the reporting period, sales through third-party online channels contributed most of the Group's revenue by online sales channels. The rapid growth in the scale of e-commerce live streaming has deeply influenced the jewellery industry. The jewellery industry is also accelerating the shift to the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

CHAIRMAN'S STATEMENT

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

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

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



CHAIRMAN'S STATEMENT

Online Sales Channels

(i) Third-party online sales channels

For the year ended 31 December 2021, relying on the strong traffic of third-party platforms, the Group enhanced its online sales through new marketing models including short video marketing, e-commerce live streaming and KOL promotion. For the year ended 31 December 2021, we cooperated with third-party online platforms including JD.com (京東), Suning (蘇寧), Tmall (天貓), WeChat (微信), TikTok (抖音), Xiaohongshu (小紅書) and 15 television and video shopping channels in the PRC to promote and sell our jewellery products. We became a core supplier in the gold, silver and jewellery category of all top television channels, which enabled us to achieve satisfactory sales performance. With a daily coverage of over 100 million home viewers in the PRC, our brand awareness among Chinese viewers of television and video shopping channels was enhanced substantially.

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

(ii) Self-operated online platform

The accumulated number of registered members on our self-operated online jewellery platform, including www.csmall.com, m.csmall.com and the mobile app of "金貓銀貓CSmall", surpassed approximately 9.9 million. In view of the market climate and habits of consumers, the Group had suspended the operation of the self-operated online platform since this year, so as to reduce operating and promotion expenses and move on to focus on third-party online sales channels.

CHAIRMAN'S STATEMENT

Offline Retail and Service Network

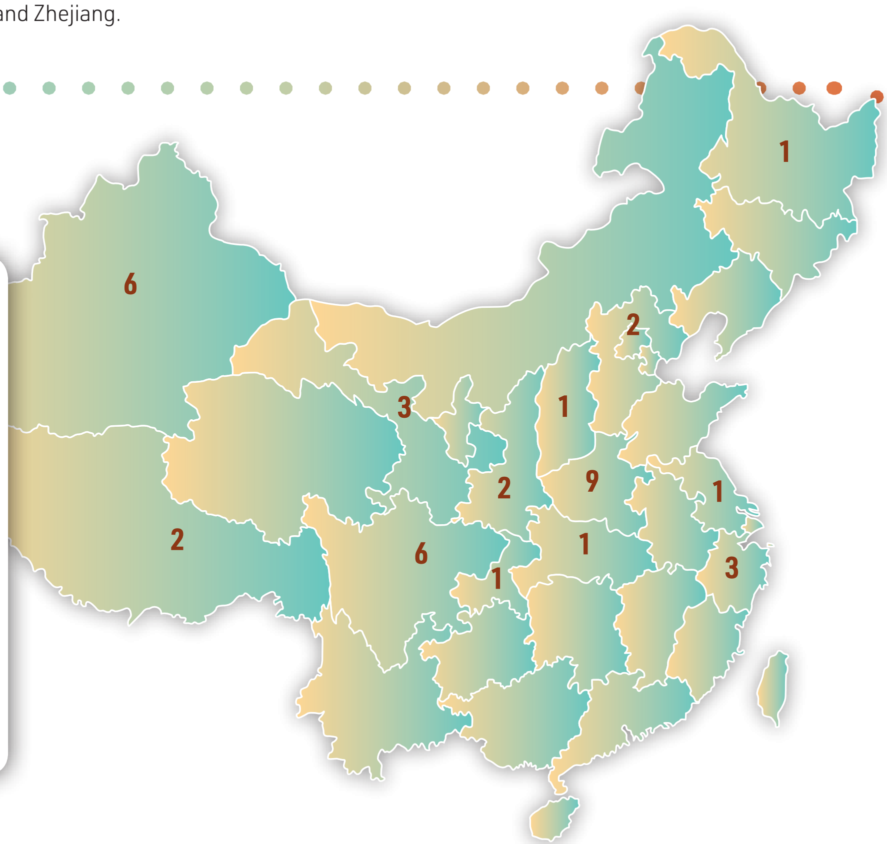
(i) CSmall Shops

We offer intimate on-the-ground sales and services to our customers at our CSmall Shops, including jewellery fitting and maintenance services, which we believe are indispensable to the jewellery shopping experience. For the year ended 31 December 2021, due to the impact of COVID-19 on offline retail sales, we slowed down our offline store expansion plan, adjusted the layout of offline business outlets, closed 86 stores and opened 26 new stores. As of 31 December 2021, we had 38 CSmall Shops located in 13 provinces and municipalities in the PRC, consisting of 1 self-operated CSmall Shop and 37 franchised CSmall Shops with presence in Beijing, Chongqing, Gansu, Heilongjiang, Henan, Hubei, Jiangsu, Shaanxi, Shanxi, Sichuan, Tibet, Xinjiang and Zhejiang.

Shops Distribution

Henan	9
Sichuan	6
Xinjiang	6
Gansu	3
Zhejiang	3
Beijing	2
Shaanxi	2
Tibet	2
Chongqing	1
Heilongjiang	1
Hubei	1
Jiangsu	1
Shanxi	1

Total: 38



(ii) Shenzhen Exhibition Hall

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

(iii) Third-party offline points of sale

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

New Retailing Model

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

(i) Turning jewellery into accessory

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

CHAIRMAN'S STATEMENT

(ii) Blending silverware into daily life

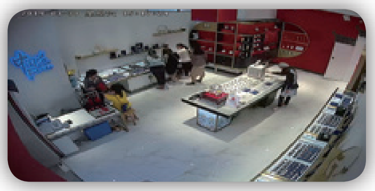
Practical silver products such as tableware, tea sets and wineware have become another mainstream development trend in the precious metal gift market. We have strengthened the design and research and development of silver gift products to produce more refined and practical silverwares with the aim of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

(iii) Injecting artistic creativity into products

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

CHAIRMAN'S STATEMENT

(iv) Intelligentizing service



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

PROSPECTS

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

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

The changes in consumption mentality brought by the epidemic will last for a period of time, and consumers are more inclined to consumer goods of rigid demand. The Group has diversified its business by engaging in the industry of consumer goods of rigid demand. CSMall strongly supports the PRC national strategy of "rural revitalization" proposed by President Xi Jinping of the PRC in 2017. Under the general direction of the "common prosperity" policy, the rural economy and the production of Chinese farmers are poised to become the next focus of development. On 31 December 2021, the Group entered into an investment agreement for investment in Jiangsu Nongmuren Electronic Business Corp.* (江蘇農牧人電子商務股份有限公司) (the "**Target Company**"). The Target Company is the developer and operator of the "農牧人" ("Nongmuren", meaning farmers and herdsmen) S2B2C platform, which was officially launched in May 2021 and which provides branding and SaaS (software as a service) services to enterprises along the agricultural supply chain as well as small and medium-sized businesses in the PRC. Small and medium-sized businesses are empowered through the S2B2C (supply chain to business to customer) model, whilst farms and farmers are empowered through the F2B2C (farm to business to customer) model, to achieve whole-process digitalization from agricultural laborers' cultivation of crops and rearing of livestock to citizens' consumption of agricultural products. Through the investment, the Group expands its business operations from the new retail of jewellery, a non-essential good, to the new retail of agricultural products, an essential good, to assist in digitally empowering another traditional industry, namely the agricultural products industry, and promoting the modernization of agricultural industry. The agricultural products industry is different from the non-essential jewellery industry and can help diversify business risks of the Group, thereby enhancing the Group's risk resilience and profitability. The Group has made capital injection into this agricultural platform which is undergoing a stage of rapid growth and can bring good development prospects to the Group. It is expected to become one of the Group's main business growth drivers and core businesses in 2022, bringing huge surprises to all shareholders.

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

Chen He
Chairman

Hong Kong, 29 April 2022

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Online Sales Channels

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

Offline Retail and Service Network

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

Cost of Sales and Services Provided

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

Gross Profit and Gross Profit Margin

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

Other Gains and Losses

Other gains and losses decreased to approximately RMB1.0 million for the year ended 31 December 2021 from approximately RMB11.5 million for the year ended 31 December 2020. In the current year, the amounts mainly represented the net exchange gain and write-off of property, plant and equipment; whereas in the last year, the amounts mainly represented the combined effects of the trading expenses of approximately RMB3.6 million and one-off net loss of approximately RMB12.5 million on inventory write-off upon expiry in relation to the pilot expansion into a new business of COVID-19 diagnostic kit distribution in collaboration with a pharmaceutical company in the PRC which offset the trading income in relation to such pilot expansion of approximately RMB2.7 million and the net exchange gain of approximately RMB1.2 million.

Selling and Distribution Expenses

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

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

Administrative expenses decreased significantly by approximately 24.9% from approximately RMB45.7 million for the year ended 31 December 2020 to approximately RMB34.3 million for the year ended 31 December 2021, primarily due to the combined effects of the suspension of the self-operated online platform during the year which allowed the Group to save the operating cost of running the platform, and the decrease in staff remuneration costs as a result of a decrease in the average number of staff during the year.

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

During the year ended 31 December 2020, Huzhou Baiyin Property Co., Ltd.* (湖州白銀置業有限公司) ("**Huzhou Baiyin**"), an indirect wholly-owned subsidiary under the Group, entered into a termination agreement and a compensation agreement to terminate the acquisition of the land use right over a piece of land located in Huzhou, the PRC (the "**Acquisition**"). 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 "**Huzhou Committee**") agreed to refund the deposits received of approximately RMB270.9 million and compensate Huzhou Baiyin for certain capital expenditure, other related expenses and certain taxes paid. A net loss on termination of assignment contract in relation to the acquisition of a land use right of approximately RMB27.4 million was recorded in last year while no such loss was recorded in this year.

Income Tax Expense

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

Profit (Loss) attributable to owners of the Company

For the year ended 31 December 2021, we recorded a profit attributable to owners of the Company of approximately RMB0.1 million (2020: loss of approximately RMB35.6 million). Such turnaround from loss to profit is mainly attributable to (i) the significant decrease in administrative expenses primarily as a result of the suspension of the self-operated online platform and the gradual workforce downsizing during the year; (ii) the net reversal of impairment loss recognised in respect of trade receivables of approximately RMB8.7 million for this year, as compared to the net provision in this respect of approximately RMB11.1 million for last year; (iii) the absence in this year of the one-off net loss on termination of assignment contract in relation to acquisition of a land use right of approximately RMB27.4 million recorded in last year; and (iv) the absence in this year of the one-off net loss of approximately RMB12.5 million on inventory write-off upon expiry in relation to the pilot expansion into a new business of COVID-19 diagnostic kit distribution in collaboration with a pharmaceutical company in the PRC last year.

* *For identification purpose only*

Inventories, Trade Receivables and Trade Payables Turnover Cycle

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

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

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

Borrowings

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

The Group's net gearing ratio was calculated on the basis of the trade loans less bank balances and cash as a percentage of total equity. As of 31 December 2021, the Group was in a net cash position with a net gearing ratio of approximately -22.4% (as of 31 December 2020: -46.0%).

Capital Expenditures

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

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

Pledge of Assets

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

	2021 **RMB'000**	2020 RMB'000
Inventories	–	30,000
Trade receivables	–	75,000
	–	105,000

In addition, as at 31 December 2020, the trade loans of the Group were secured by (i) personal guarantees executed by Mr. Chen He (a director of the Company) and Mr. Chen Wantian (a director of China Silver Group Limited ("**China Silver Group**")) and their respective spouses; and (ii) a corporate guarantee executed by China Silver Group. During the year ended 31 December 2021, the trade loans had been repaid and the pledged assets and guarantees were released.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

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

Contingent Liabilities

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

Employees

As of 31 December 2021, the Group employed 176 staff members (as of 31 December 2020: 204 staff members) and the total staff cost for the year ended 31 December 2021 amounted to approximately RMB21.0 million (2020: RMB23.9 million). The Group's remuneration packages are in line with the current laws in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during the year. The Group was principally financed by internal resources, net proceeds received from the global offering of the Company in 2018 (the "**Global Offering**"), net proceeds received from the strategic issuance of the Company to Mr. Yao Runxiong in 2019 (the "**Strategic Issuance**") and trade loans. The Group's principal financial instruments comprise bank balances and cash, trade and other receivables, as well as trade and other payables and trade loans. As of 31 December 2021, the bank balances and cash, net current assets and total assets less current liabilities were approximately RMB312.6 million (as of 31 December 2020: RMB652.8 million), RMB1,372.0 million (as of 31 December 2020: RMB1,370.6 million) and RMB1,402.3 million (as of 31 December 2020: RMB1,400.5 million), respectively. As of 31 December 2021, the trade loans have been fully repaid (as of 31 December 2020: RMB10.0 million).

Dividend

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

Significant Investment Held, Material Acquisition and Disposal

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

Between 29 and 30 June 2020, Huzhou Baiyin, an indirect wholly-owned subsidiary of the Group, entered into a termination agreement with the Huzhou Committee and Huzhou Municipal Bureau of Natural Resources and Planning* (湖州市自然資源和規劃局) (the "**Bureau**"), and a compensation agreement with the Huzhou Committee, pursuant to which (a) the Huzhou Committee and the Bureau agreed to terminate the Acquisition described in the above paragraph headed "Net Loss on Termination of Assignment Contract in relation to Acquisition of a Land Use Right"; and (b) the Huzhou Committee agreed to (i) refund the deposits received amounting to approximately RMB270.9 million; (ii) compensate Huzhou Baiyin for the capital expenditure and other expenses incurred by the Group in connection with the exploration, design and pre-construction works on the land; and (iii) compensate Huzhou Baiyin for certain taxes paid by another indirect wholly-owned subsidiary of the Group.

Up to 31 December 2020, the Group paid an aggregate amount of approximately RMB232.5 million of deposits and other direct costs of approximately RMB26.7 million in relation to the Acquisition. Deposits of approximately RMB245.6 million were received by the Group during the year ended 31 December 2020 and a refundable amount of approximately RMB25.3 million was accounted as other receivables at 31 December 2020. Respective net loss on termination of assignment contract in relation to the Acquisition of approximately RMB27.4 million was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020. As at 31 December 2021, a refund of approximately RMB25.3 million has been further received in full.

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

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

On 31 December 2021, Shenzhen Guojintongbao, Bric Suzhou, Suzhou Nonggou Daohe Investment Management Center (Limited Partnership)* (蘇州農購道合投資管理中心 (有限合夥)) ("**Suzhou Nonggou Daohe**", as an existing shareholder of the Target Company), Mr. Sun Tung (as the actual controller of Bric Suzhou and Suzhou Nonggou Daohe) and the Target Company entered into the new investment agreement (the "**New Investment Agreement**"), pursuant to which Shenzhen Guojintongbao shall obtain 51% effective ownership in the Target Company in consideration for the capital injection of RMB26,000,000 payable in cash to the Target Company in two installments.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Further details of the transaction are set out in the joint announcements dated 31 December 2021 and 10 January 2022.

Save as disclosed above, the Group did not hold any significant investment nor did the Group carry out any significant acquisition and disposal during the year ended 31 December 2021.

Use of Proceeds from the Global Offering

The net proceeds received from the Global Offering amounted to approximately RMB329.3 million after deducting underwriting commission and all related expenses. During the year ended 31 December 2021, the net proceeds had continued to be used in a manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 28 February 2018 (the "**Prospectus**") until the Group entered into the agreements to procure the Colored Gemstones as mentioned under the section headed "Business Review" in the Chairman's Statement above, after which the remaining portion of such unused net proceeds were used to settle part of the consideration for the Colored Gemstones. All of the net proceeds were used as at 31 December 2021.

The net proceeds received from the Global Offering had been used as follows during the year ended 31 December 2021:

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

Use of Proceeds from the Strategic Issuance

The net proceeds received by the Company from the Strategic Issuance amounted to approximately RMB134.7 million after deducting transaction costs directly attributable to the transaction. During the year ended 31 December 2021, the net proceeds had continued to be used in a manner consistent with that mentioned on page 20 of the circular of the Company dated 31 July 2019 until the Group entered into the agreements to procure the Colored Gemstones as mentioned under the section headed "Business Review" in the Chairman's Statement above, after which the remaining portion of such unused net proceeds were used to settle part of the consideration for the Colored Gemstones. All of the net proceeds were used as at 31 December 2021.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Event after the Reporting Period

On 10 January 2022, Shenzhen Guojintongbao made the first installment of capital injection in an amount of RMB6,000,000 to the Target Company and all of the conditions precedent under the New Investment Agreement entered into by Shenzhen Guojintongbao had been fulfilled, and the Completion had taken place accordingly. Immediately upon Completion, the Target Company is consolidated as a non-wholly-owned subsidiary of the Company with 51% effective ownership, and is in turn also consolidated as a non-wholly-owned subsidiary of China Silver Group. For details, please refer to the section headed "Significant Investment Held, Material Acquisition and Disposal" above. On 2 April 2022, a further capital injection of RMB3,000,000 out of the second installment of RMB20,000,000 was made to the Target Company.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 10 June 2022 to Wednesday, 15 June 2022 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the annual general meeting to be held on Wednesday, 15 June 2022, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 9 June 2022 for registration of transfer.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHEN He (陳和), aged 37, is our Chairman, executive Director and chief executive officer. Mr. Chen was appointed as an executive Director of the Company in February 2017. Mr. Chen joined the Group as a co-deputy general manager of Shenzhen Guoyintongbao Company Limited (深圳國銀通寶有限公司) ("**Shenzhen Guoyintongbao**") in October 2013, and has been serving as a president of the Group since July 2015. Mr. Chen has been the driving force behind our development, growth and expansion and is primarily responsible for the overall management of our Group and for directing strategic developments and business plans of our Group. Mr. Chen is currently a director of several of our principal operating subsidiaries, namely Shenzhen Guoyintongbao, Shenzhen Guojintongbao and Jingning Sheyin Culture Company Limited (景寧畲銀文化有限公司).

Prior to joining the Group, Mr. Chen served as the supervisor of the procurement department of Jiangxi Longtianyong Nonferrous Metals Co., Ltd. (江西龍天勇有色金屬有限公司) ("**Longtianyong**") from January 2006 to December 2010, and served as the manager of the procurement department of the same company from January 2011 to September 2013.

Mr. Chen graduated from Shandong University in Shandong Province, the PRC in January 2014 after completing a bachelor degree course in business administration through long distance learning. He has been a candidate of the executive master of business administration program at the Faculty of Management of Xiamen University, in Xiamen, the PRC, since October 2011 till present.

Mr. QIAN Pengcheng (錢鵬程), aged 38, was appointed as an executive Director of the Company in February 2017. He has also been the financial manager of the Group since he joined the Group in October 2013. Mr. Qian is responsible for managing the financial department of the Group. Prior to joining the Group, Mr. Qian worked as a financial clerk at Longtianyong, from January 2006 to December 2010, and served as the financial supervisor of Longtianyong from January 2011 to September 2013.

Mr. Qian graduated from Shandong University in Shandong Province, the PRC in January 2014 after completing a bachelor degree course in business administration through long distance learning. He has been a candidate of the executive master of business administration program at the Faculty of Management of Xiamen University, in Xiamen, the PRC, since October 2011 till present.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YU Leung Fai (余亮暉), aged 45, was appointed as an independent non-executive Director of the Company in November 2021. Mr. Yu is a member of the American Institute of Certified Public Accountants, Certified Practising Accountants of Australia (not practicing) and the Hong Kong Institute of Certified Public Accountants. Mr. Yu obtained a bachelor's degree in commerce from University of Toronto, Canada in June 2000 and a bachelor's degree in law from University of London, the United Kingdom in August 2005. Mr. Yu has over 20 years of experience in the corporate services field. Mr. Yu is currently the managing partner of Fung, Yu & Co. CPA Limited, which he joined in 2001. He previously worked as an auditor at Deloitte Touche Tohmatsu.

Mr. Yu has been a joint company secretary of Beijing Media Corporation Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), stock code: 1000) since 2010, the company secretary of Yuanda China Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2789) since 2012, and a joint company secretary and successively the company secretary of Sany Heavy Equipment International Holdings Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 631) since 2017. He has also been an independent non-executive director of Realord Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1196) since 2014, an independent non-executive director of Dowway Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8403) since 2019, and an independent non-executive director of The Sincere Company, Limited (a company listed on the Main Board of the Stock Exchange, stock code: 244) since June 2021.

Mr. HU Qilin, aged 51, was appointed as an independent non-executive Director of the Company in March 2018. Mr. Hu is primarily responsible for supervising and providing independent judgment and analysis to the Board. Mr. Hu has substantial experience in the area of internet finance, corporate management and operations. He served as the general manager of BaiduPay Science and Technology Co., Ltd., a subsidiary of Baidu, in Beijing, the PRC from August 2016 till January 2017. Mr. Hu served as a Venture Partner of Sequoia Capital Consulting (Beijing) Co., Ltd. from March 2017 to October 2018. Mr. Hu served as a Managing Director of HINA Investment (Beijing) Group, Ltd. from November 2018 to May 2020. Mr. Hu has served as a Venture Partner of Advantech Capital since January 2021.

In the period of September 2013 till October 2015, Mr. Hu served as a deputy general manager at TenPay, a subsidiary of Tencent, in Shenzhen of the PRC, and then from October 2015 till July 2016, he served as a chief operations officer at Ping An FinTech Ltd., a subsidiary of Ping An, in Shanghai of the PRC.

Mr. Hu obtained a bachelor degree in computer science from Nankai University in Tianjin, the PRC in July 1992, and a master degree in science from the University of Iowa in the United States in May 1996. In September 2016, Mr. Hu obtained an executive master of business administration degree at the Cheung Kong Graduate School of Business (長江商學院) in the PRC.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHANG Zuhui (張祖輝), aged 49, was appointed as an independent non-executive Director of the Company in March 2018. Mr. Zhang is responsible for supervising and providing independent judgment and analysis to the Board.

Mr. Zhang has served as a secretary general at Shenzhen City Gold and Jewellery Culture Research Association from August 2013 till present. During the period of January 2003 to December 2012, Mr. Zhang worked at China Golden Post. Mr. Zhang first served as a journalist, and then as a co-supervisor at the news editorial centre, and later as a supervisor at the Shenzhen news centre of China Golden Post.

In June 1995, Mr. Zhang graduated from Hubei University in Hubei Province, the PRC, with a college education in Chinese language and literature through long distance learning. In April 2010, Mr. Zhang obtained a Senior Gold Investment Analyst qualification from the Occupational Skills and Testing Authority of the Ministry of Human Resources and Social Security of the PRC.

SENIOR MANAGEMENT

Mr. Chan Hon To (陳瀚濤), aged 45, was appointed as the chief financial officer (the "**CFO**") of the Group in May 2019. He is responsible for the overall financial management, tax, treasury, investor relations and corporate finance matters of the Group. He has over 20 years of experience in auditing, accounting, corporate finance, investor relations, funding raisings and company secretaryship. Prior to joining the Group, he held senior management positions as vice president-strategic investment, chief financial officer and group financial controller in several listed companies in Hong Kong. He has also gained extensive experience in auditing and initial public offering exercise during his service with Deloitte Touche Tohmatsu in Hong Kong and the United States of America from 2002 to 2009. He is a Fellow Member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

CODE OF CORPORATE GOVERNANCE PRACTICE

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

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. As at the date of this report, the Board comprises two executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2021, the Company has complied with the then-effective code provisions under the CG Code except for code provision A.2.1.

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company.

Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2021.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

(i) Board Composition

As at the date of this report, the Board comprised two executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Chen He *(Chairman and Chief Executive Officer)*
Mr. Qian Pengcheng

Independent non-executive Directors

Mr. Hu Qilin
Mr. Yu Leung Fai
Mr. Zhang Zuhui

To the best knowledge of the Company, there is no financial, business or family relationship among the members of the Board.

The executive Directors, with assistance from the senior management, form the core management team of the Company. The executive Directors have the overall responsibility of formulating the business strategies and development plan of the Group and the senior management are responsible for supervising and executing the plans of the Company and its subsidiaries.

(ii) Board Functions and Duties

The principal functions and duties conferred to the Board include:

- convening general meetings and reporting the Board's work at general meetings;
- implementing resolutions passed by the shareholders of the Company in general meetings;
- deciding on business plans and investment plans;
- preparing annual financial budgets and final reports;
- formulating proposals for profit distributions, recovery of losses and for increases or reductions in the registered capital; and
- exercising other powers, functions and duties conferred by shareholders of the Company in general meetings.

CORPORATE GOVERNANCE REPORT

(iii) Management Functions and Duties

The management is responsible for implementing the strategies and plans adopted by the Board. Executive Directors and management personnel meet regularly to review the performance of the business of the Group as a whole, co-ordinate overall resources and make financial and operational decisions.

The Board is also entrusted with the overall responsibility of developing, maintaining and reviewing sound and effective corporate governance within the Group and is committed to ensuring that an effective corporate governance is put in place and continuously reviewing and improving the corporate governance practices within the Group.

(iv) Board Meetings

During the year ended 31 December 2021, there were five board meetings held, at which the Directors approved, among other things, the annual results of the Group for the year ended 31 December 2020 and the interim results of the Group for the six months ended 30 June 2021.

Prior notices convening the board meeting were despatched to the Directors before the board meetings setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved to enable the Directors to make informed decisions.

(v) Attendance Record

The following is the attendance record of the Directors at board meetings and the general meetings of the Company during the year ended 31 December 2021:

	Attendance at meetings	
	Board meetings	Annual general meeting
Executive Directors		
Mr. Chen He *(Chairman)*	5/5	1/1
Mr. Qian Pengcheng	5/5	1/1
Mr. Zhang Jinpeng *(resigned on 8 February 2021)*	0/0	0/0
Independent Non-executive Directors		
Mr. Hu Qilin	5/5	1/1
Mr. Zhang Zuhui	5/5	1/1
Mr. Yu Leung Fai *(appointed on 19 November 2021)*	0/0	0/0
Mr. Fu Lui *(resigned on 19 November 2021)*	5/5	1/1

(vi) Independent Non-executive Directors

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experiences and qualifications to carry out their duties so as to protect the interests of the shareholders of the Company. Among the three independent non-executive Directors, one of them has appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has also received a written annual confirmation from each of the independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmations, considers that all independent non-executive Directors are independent with reference to the guidelines stated in the Listing Rules.

(vii) Appointment and Re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 13 March 2018 and the term has been renewed for a further period of three years commencing from 13 March 2021, which is terminable by not less than three months' notice in writing.

Under code provision A.4.1 of the CG Code, all the non-executive Directors should be appointed for a specific term, subject to re-election. Both Mr. Hu Qilin and Mr. Zhang Zuhui have signed a letter of appointment with the Company for an initial term of three years commencing from 13 March 2018. The term has been renewed for a period of one year commencing from 13 March 2021, and has been renewed for a further period of three years commencing from 12 March 2022. which is terminable by not less than three months' notice in writing. Mr. Yu Leung Fai has signed a letter of appointment with the Company for an initial term of three years commencing from 19 November 2021, which is terminable by not less than three months' notice in writing.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the articles of association of the Company (the "**Articles of Association**"), all Directors are subject to retirement by rotation at least once every three years, and any new Director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting of the Company after appointment and any new Director appointed as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles of Association. The nomination committee of the Company (the "**Nomination Committee**") is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

(viii) Directors' Remuneration

The remuneration committee of the Company (the "**Remuneration Committee**") makes recommendations to the Board on the remuneration packages of the Directors and senior management personnel. It is the Company's policy that the remuneration package of each Director and senior management shall be determined by taking reference to, inter alia, their duties, responsibilities, experiences and qualifications.

(ix) Board Diversity

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development.

Pursuant to the Board Diversity Policy, the composition, structure and size of the Board are reviewed at least annually by the Nomination Committee to ensure that it has a balance of appropriate skills, experience and diversity of perspectives to meet the needs of the business of the Group. In relation to reviewing and assessing the Board composition, the Nomination Committee will consider a number of aspects, including but not limited to professional qualifications, regional and industry experience, cultural and educational background, skills, industry knowledge and reputation, gender, ethnicity, language skills and length of service.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Members of the Board have a diverse range of business, financial and professional expertise. Brief biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

(x) Director Nomination

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

The Company has adopted a director nomination policy (the "**Director Nomination Policy**") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;

- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- Requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

(xi) Directors' Continuous Training and Development

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors are committed to complying with code provision A.6.5 under the CG Code on Directors' training. All Directors have participated in continuous professional development and provided a record of training they received during the year ended 31 December 2021 to the Company.

AUDIT COMMITTEE

The Board established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. Under Rule 3.21 of the Listing Rules, a majority of the members of the audit committee should be independent non-executive directors and the audit committee should be chaired by an independent non-executive director. The Audit Committee comprises all three independent non-executive Directors, namely, Mr. Yu Leung Fai (Chairman), Mr. Hu Qilin and Mr. Zhang Zuhui. The primary responsibilities of the Audit Committee are to review and supervise financial reporting processes and risk management and internal control systems of the Group.

During the year ended 31 December 2021, the Audit Committee held two meetings. The members of Audit Committee reviewed and discussed with the external auditor of the Company the Group's audited consolidated financial statements for the year ended 31 December 2020 and unaudited condensed consolidated financial statements for the six months ended 30 June 2021. They were of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made. They also reviewed significant issues on the financial reporting, appointment of external auditor and engagement of non-audit services and relevant scope of works, and connected transactions. Additional meeting may also be held by the Audit Committee from time to time to discuss special projects or other issues which it considers necessary. The external auditor of the Group may request a meeting of the Audit Committee to be convened if they consider that is necessary.

The main duties of the Audit Committee are as follows:

- To consider the appointment of the external auditor, the audit fee, and any question of resignation or dismissal.
- To discuss with the external auditor the nature and scope of the audit.
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard.
- To discuss with the management the systems of internal control and risk management and ensure that management has discharged its duty to have effective systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.
- To review the internal audit programme, ensure co-ordination between the internal and external auditor, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.
- To review the Group's interim and annual financial statements before submission to the Board.
- To discuss problems and reservations arising from the interim and final audits and any matters that the external auditor may wish to discuss.
- To review the external auditor's management letter and the management's response.
- To review the Group's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review risk management and internal control systems.
- To consider the major findings of any internal investigations on risk management and internal control matters as delegated by the Board or its own initiative and the management's response to these findings.
- To consider other topics, as defined by the Board.

The following is the attendance record of the committee meetings held by the Audit Committee.

	Attendance at meetings
Mr. Yu Leung Fai *(Chairman) (appointed on 19 November 2021)*	0/0
Mr. Hu Qilin	2/2
Mr. Zhang Zuhui	2/2
Mr. Fu Lui *(resigned on 19 November 2021)*	2/2

During the year ended 31 December 2021, the Audit Committee and senior management also met the external auditor twice.

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, the total fees paid/payable in respect of audit and non-audit services to the external auditor of the Company, Moore Stephens CPA Limited, were set out below:

Service category	Fees paid/ payable *RMB*
Audit services	1,078,000
Non-audit services	
– Interim results review	190,800
– Others (including continuing connected transactions and announcements)	153,300

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at general meetings of the Company by the shareholders.

DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare accounts of the Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make informed assessments of the financial and other decisions.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 55 to 59.

RISK MANAGEMENT AND INTERNAL CONTROL

In view of the implementation of the Consultation Conclusions on Risk Management and Internal Control relating to code provision C.2.1 of the CG Code issued by the Stock Exchange in December 2014, the Board has already reviewed the effectiveness of its risk management framework and processes and internal control systems, and has implemented relevant measures resulting from this exercise that aim to enhance its framework and processes to comply with the requirements of the CG Code.

The Group established the Risk Management Taskforce ("**RMTF**") to assist the Board and the Audit Committee in overseeing the Group's risk management and internal control systems on an ongoing basis. The RMTF is responsible for leading and coordinating risk assessment activities including risk identification, risk assessment, actions taken to monitor and mitigate risks and risk reporting at least once a year. The risk inventory of the Group is developed and will be updated based on the results of the risk assessment. The risk assessment report is prepared based on the results of the risk assessment and the progress of risk management processes. The risk assessment report is submitted to the Audit Committee for review and approved by the Board.

The Board is ultimately responsible for determining and evaluating the risks it is willing to take in achieving its objectives, and ensuring it establishes and maintains effective risk management and internal control systems for the Group. The Group maintains risk management and internal control systems that are designed to provide reasonable but not absolute assurance against material misstatement or loss in the achievement of its objectives. The Board also has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The main features of these systems include a clear governance structure, defined roles and responsibilities, reporting procedures and clear risk management and internal control procedures, ascertaining its staff to achieve the Group's strategic objectives by implementing effective risk management and internal control systems and fulfilling the respective compliance requirements.

The Group also established an internal audit department (the "**Internal Audit Department**") to provide the Board and the management with useful information and recommendations on the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department is authorised by the Board to have access to all records, people and physical properties relevant to the performance of internal audit. The head of Internal Audit Department has unrestricted access to the chairman of the Audit Committee and reports directly to the Audit Committee for direction and accountability. During the year, the Internal Audit Department has performed independent review of the adequacy and effectiveness of the design and implementation of the risk management and internal control systems and make appropriate recommendations for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

The management of the Group is committed to taking appropriate remedial actions promptly in respect of the internal control deficiencies and ensure the Group maintains an adequate and effective risk management and internal control systems.

The Board conducts an annual review on the effectiveness of risk management and internal control systems, covering but not limited to:

- Review the changes in the nature and extent of significant risks since last year's review, and the Group's ability to respond to changes in its business and the external environment;

- Review the extent and frequency of communication of monitoring results to the Board and the Audit Committee, and effectiveness of the risk management, financial reporting and Listing Rules compliance;

- Address any significant control failings or weakness that have been identified during the review; and

- Review on the accounting, financial reporting and internal audit function, including the adequacy of resources, staff qualifications and experience, the quality of training programmes, and budget.

The risk management and internal controls systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

During the year ended 31 December 2021, the Audit Committee carried out a review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions and discussed with the Internal Audit Department on the effectiveness and adequacy of the Company's system and procedures. The Board and the Audit Committee considered that the risk management and internal control systems of the Group were adequate and effective for the year ended 31 December 2021.

NOMINATION COMMITTEE

The Board established the Nomination Committee with written terms of reference in compliance with the CG Code. Under code provision A.5.1 of the CG Code, a majority of the members of the nomination committee should be independent non-executive directors and the nomination committee should be chaired by the chairman of the Board or an independent non-executive director. The Nomination Committee comprises Mr. Chen He (Chairman), Mr. Zhang Zuhui and Mr. Yu Leung Fai, 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 assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board Diversity Policy, including but not limited to professional qualifications, regional and industry experience, cultural and educational background, skills, industry knowledge and reputation, gender, ethnicity, language skills and length of service. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the independent non-executive Directors) are sought. The selection criteria of the qualified candidates are mainly based on assessments of their qualifications, experiences and expertise as set out in the Director Nomination Policy as well as the requirements under the Listing Rules. The Nomination Committee selects and recommends candidates for directorship with regards to balancing skills and experiences appropriate to the Group's businesses.

During the year ended 31 December 2021, the Nomination Committee held two meetings. The members of Nomination Committee reviewed and discussed the current structure, size and composition of the Board and the independence of the independent non-executive Directors, considered the qualifications of the retiring Directors standing for election at the annual general meeting and made recommendation to the Board on the appointment of Mr. Yu Leung Fai as independent non-executive Director. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board Diversity Policy.

The following is the attendance record of the committee meeting held by the Nomination Committee.

	Attendance at meeting
Mr. Chen He *(Chairman)*	2/2
Mr. Zhang Zuhui	2/2
Mr. Yu Leung Fai *(appointed on 19 November 2021)*	0/0
Mr. Fu Lui *(resigned on 19 November 2021)*	2/2

REMUNERATION COMMITTEE

The Board established the Remuneration Committee with written terms of reference in compliance with the Code. Under Rule 3.25 of the Listing Rules, a majority of the members of the remuneration committee should be independent non-executive directors and the remuneration committee should be chaired by an independent non-executive director. The Remuneration Committee comprises Mr. Zhang Zuhui (Chairman), Mr. Hu Qilin and Mr. Yu Leung Fai in which all three 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.

During the year ended 31 December 2021, the Remuneration Committee held two meetings. The members of Remuneration Committee reviewed and made recommendations to the Board on the remuneration policy and the remuneration packages of the Directors and senior management of the Company and made recommendation to the Board on the terms of the letter of appointment of Mr. Yu Leung Fai, the new independent non-executive Director appointed in November 2021.

The following is the attendance record of the committee meeting held by the Remuneration Committee.

	Attendance at meeting
Mr. Zhang Zuhui *(Chairman)*	2/2
Mr. Hu Qilin	2/2
Mr. Yu Leung Fai *(appointed on 19 November 2021)*	0/0
Mr. Fu Lui *(resigned on 19 November 2021)*	2/2

EMOLUMENT POLICIES

The emolument policies of the Group are formulated on performance of individual employees and on the basis of salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the profitability of the Group, the Group may also distribute discretionary bonuses to its employees as incentives for their contributions to the Group.

Details of the remuneration of the senior management by band are set out below:

	2021 Number of individuals	2020 Number of individuals
Not exceeding HK$1,000,000	**1**	1

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

During the year ended 31 December 2021, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and similar written guidelines for employees, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

MEETING WITH INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2021, the Chairman of the Board held one meeting with the independent non-executive Directors without the presence of the other Directors to review and discuss, among other things, the independence of the independent non-executive Directors and confirmed that the independent non-executive Directors can express their views at the Board meetings without restrictions.

COMPANY SECRETARY

Ms. Chan Sau Ling from Tricor Services Limited, being an external service provider, is acting as the company secretary of the Company. Mr. Chen He, the Chairman of the Board, is her primary contact person.

During the year ended 31 December 2021, Ms. Chan Sau Ling undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules while serving other listed companies.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following various channels:

1. The annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the Directors are available at the annual general meetings of the Company to address shareholders' queries;

2. Separate resolutions are proposed at the general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in the circulars to the shareholders of the Company to facilitate enforcement of shareholders' rights;

3. Interim and annual results are announced as early as possible, to keep shareholders of the Company informed of the Group's performances and operations; and

4. Updated key information of the Group is available on the Company's website to enable shareholders of the Company and investors to have timely access to information about the Group.

THE WAY BY WHICH SHAREHOLDERS CAN CONVENE AN EXTRAORDINARY GENERAL MEETING

The Directors, notwithstanding anything in the Articles of Association, shall, on the requisition of shareholders holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company having the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited to the Board or the company secretary at the Company's principal place of business in Hong Kong at Unit 1415, China Merchants Tower, Shun Tak Centre, 168– 200 Connaught Road Central, Sheung Wan, Hong Kong and may consist of several documents in like form each signed by one or more requisitionists.

The request will be verified with the Company's share registrars and upon their confirmation that the request is proper and in order, the Board will call an extraordinary general meeting for the transaction of any business specified in such requisition.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of two months from the said date.

THE PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

The enquiries must be in writing with contact information of the requisitionists for the attention of the Directors or management of the Company, by mail to the Company's principal place of business in Hong Kong at Unit 1415, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

THE PROCEDURES FOR MAKING PROPOSALS AT SHAREHOLDERS' MEETINGS

After the publication of the notice of a general meeting by the Company, according to Article 113 of the Articles of Association, if a shareholder of the Company wishes to propose a person (the "**Candidate**") for election as a Director at a general meeting, he/she shall deposit a written notice (the "**Notice**") at the Company's principal place of business in Hong Kong at Unit 1415, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong or at the office of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The Notice (a) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (b) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information. The period for lodgement of the Notice shall commence on the day after the despatch of the notice of general meeting and end no later than seven days prior to the date of such general meeting. In order to allow the Company's shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, shareholders who wish to make the proposal are urged to submit and lodge the Notice as early as practicable before the relevant general meeting.

CORPORATE GOVERNANCE REPORT

POLICY RELATING TO SHAREHOLDERS

The Company has in place a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed.

The Company has adopted a dividend policy (the "**Dividend Policy**") on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board for a financial year or period and any final dividend for a financial year will be subject to the shareholders' approval. Such details have been disclosed in the annual report of the Company.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2021, the Company has not made any change to its memorandum and articles of association. An up to date version of the Company's memorandum and articles of association is available on the Company's website and the Stock Exchange's website.

On behalf of the Board
Chen He
Chairman

Hong Kong, 29 April 2022

REPORT OF THE DIRECTORS

The Directors are pleased to report the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of our Company is investment holding and the Group is principally engaged in the design and sales of gold, silver, colored gemstones, gem-set and other jewellery products in the PRC ("**New Jewellery Retail**").

BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion on the Group's future business development and an analysis of the Group's performance during the year ended 31 December 2021 using financial key performance indicators are provided in the sections headed "Chairman's Statement" on pages 8 to 15 and "Management Discussion and Analysis" on pages 16 to 24 of this annual report which form part of this report.

(i) Principal risks and uncertainties

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in its businesses and operations as efficiently and effectively as possible. The Board delegates some of this responsibility to various operational departments.

The Group's principal business activities are the New Jewellery Retail business. It will be exposed to a variety of key risks including credit risk, interest risk, liquidity risk, operational risk, regulatory and market risk. There may be other risks and uncertainties which are not known to the Group or which may not be material.

(ii) Environmental policies and performance

The Group recognizes the importance of proper adoption of environmental policies which is essential to the attainability of corporate growth. Management has formulated an environment management policy for the Group based on applicable environmental laws, regulations and standards. The environmental protection and work safety department is responsible for designing and reviewing the internal control measures to ensure compliance with applicable environmental laws and regulations.

(iii) Compliance with laws and regulations

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Company is aware, during the year ended 31 December 2021, there was no material breach of or non-compliance with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

REPORT OF THE DIRECTORS

(iv) Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, customers, suppliers and shareholders.

(a) Employees

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognize performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

(b) Customers

The Group's principal customers are retail and corporate customers of New Jewellery Retail business. The Group has the mission to provide excellent services and products whilst maintain our long-term profitability, business and asset growth. Various means have been established to strength the communication between the customers and the Group in the provision of excellent services and products.

(c) Suppliers

Sound relationships with key suppliers of the Group are important in supply chain which can derive cost effectiveness and foster long-term business benefits. The key suppliers comprise the raw material suppliers and business partners of New Jewellery Retail business which provide value-added services to the Group.

(d) Shareholders

One of the Group's corporate goals is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders by stable dividend payouts taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

REPORT OF THE DIRECTORS

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 60 of this report.

The Board has resolved not to recommend payment of a final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: Nil). No interim dividend has been declared for the year ended 31 December 2021.

FIVE YEARS' FINANCIAL SUMMARY

A financial summary of the Group for the last five years is set out on page 130 of this report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the Group's sales to its five largest customers and its largest customer accounted for approximately 54.9% (2020: 45.0%) and approximately 21.9% (2020: 17.4%) of the Group's total sales respectively.

For the year ended 31 December 2021, the Group's five largest suppliers and the largest supplier accounted for approximately 82.6% (2020: 99.9%) and approximately 23.8% (2020: 44.8%) of the Group's total purchases respectively.

None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 28 to the consolidated financial statements.

REPORT OF THE DIRECTORS

RESERVES

Movements in reserves of the Group during the year ended 31 December 2021 are set out on page 62 of this report.

As of 31 December 2021, the reserves of our Company available for distribution to its shareholders amounted to RMB1,000,224,000 (2020: RMB1,011,975,000).

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association, dividends shall be distributed out of the retained profits or other reserve, representing the share premium account of the Company.

BORROWINGS

Details of trade loans of the Group as of 31 December 2021 are set out in note 25 to the consolidated financial statements.

DIRECTORS

The Directors for the year ended 31 December 2021 and up to the date of this report are:

Executive Directors:

Mr. Chen He *(Chairman and Chief Executive Officer)*
Mr. Qian Pengcheng
Mr. Zhang Jinpeng *(resigned on 8 February 2021)*

Independent Non-Executive Directors:

Mr. Hu Qilin
Mr. Zhang Zuhui
Mr. Yu Leung Fai *(appointed on 19 November 2021)*
Mr. Fu Lui *(resigned on 19 November 2021)*

BOARD OF DIRECTORS

Biographical details of the Directors are set out on pages 25 to 27 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company, based on such confirmations, considers such Directors to be independent for the year ended 31 December 2021.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 13 March 2018 and renewed his service agreement with the Company for a further period of three years commencing from 13 March 2021. Each of Mr. Hu Qilin and Mr. Zhang Zuhui, independent non-executive Directors, has signed a letter of appointment with the Company for an initial term of three years commencing from 13 March 2018. The term has been renewed for a period of one year commencing from 13 March 2021 and has been renewed for a further period of three years commencing from 12 March 2022. Mr. Yu Leung Fai, independent non-executive Director, has signed a letter of appointment with the Company for an initial term of three years commencing from 19 November 2021. None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed in this report, no Director or entity connected with a Director had a material interest in, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its holdings companies, subsidiaries or fellow subsidiaries was a party and which subsisted at the end of or at any time during the year ended 31 December 2021.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

The Company has adopted two employee share schemes as incentives to eligible employees, details of which are set out in the paragraph headed "Equity-Linked Agreements" below.

REMUNERATION OF DIRECTORS, CHIEF EXECUTIVES AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, chief executives and five highest paid individuals are set out in note 13 to the consolidated financial statements.

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

As at 31 December 2021, the interests and short positions of the Directors and the chief executives 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 SFO (i) which were required to be notified to the Company and 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 were as follows:

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

Notes:

(1) All interests are long positions.

(2) Silver Apex Holdings Limited is directly wholly owned by Mr. Chen He. Accordingly, Mr. Chen He is deemed to be interested in the 21,250,000 Shares held by Silver Apex Holdings Limited by virtue of the SFO.

(3) Treasure Delight International Limited is directly wholly owned by Mr. Qian Pengcheng. Accordingly, Mr. Qian Pengcheng is deemed to be interested in the 14,500,000 Shares held by Treasure Delight International Limited by virtue of the SFO.

Save as disclosed above, as at 31 December 2021, none of the Directors and the chief executives 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2021 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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 31 December 2021, in addition to the interests disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, our Company was notified of the following substantial shareholders' interests and short positions in the Shares and underlying Shares, being interests of 5% or more.

Name of Shareholder	Capacity/Nature of interest	Number of Shares[(1)]	Approximate percentage of interest in our Company
China Silver Group	Beneficial owner	500,000,033	40.39%
Blaze Loop Limited	Beneficial owner	90,900,000	7.34%
Mr. LIN Ting (林挺)	Interest in a controlled corporation[(2)]	90,900,000	7.34%
	Beneficial owner	14,500,000	1.17%
Mr. YAO Runxiong (姚潤雄)	Beneficial owner	100,000,000	8.08%
Ascend Delight Holdings Limited	Beneficial owner	84,287,040	6.81%
Ms. XUE Meiqi (薛美琪)	Interest in a controlled corporation[(3)]	84,287,040	6.81%
	Beneficial owner	5,000,000	0.40%

Notes:

(1) All interests are long positions.

(2) Blaze Loop Limited was formed under the Pre-IPO Employee Share Scheme (as defined in the paragraph headed "Equity-Linked Agreements" below) and is directly wholly owned by Mr. Lin Ting. Accordingly, Mr. Lin Ting is deemed to be interested in the 90,900,000 Shares held by Blaze Loop Limited by virtue of the SFO. Mr. Lin Ting is an employee of the Group and the trustee under the Pre-IPO Employee Share Scheme.

(3) Ascend Delight Holdings Limited was formed under the Post-IPO Employee Share Scheme (as defined in the paragraph headed "Equity-Linked Agreements" below) and is directly wholly owned by Ms. Xue Meiqi. Accordingly, Ms. Xue Meiqi is deemed to be interested in the 84,287,040 Shares held by Ascend Delight Holdings Limited by virtue of the SFO. Ms. Xue Meiqi is an employee of the Group and the trustee under the Post-IPO Employee Share Scheme.

Except as disclosed above, as at 31 December 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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders.

NON-COMPETITION UNDERTAKING

To safeguard our Group from any potential competition with China Silver Group ("**our Controlling Shareholder**") and its close associates, on 13 February 2018, our Controlling Shareholder has executed a Deed of Non-Competition in favour of our Company, pursuant to which our Controlling Shareholder has undertaken to us that it will not, and that it will procure that its subsidiaries and parties controlled by it either solely or jointly with any other party (the "**Affiliates**") will not, solely or jointly or in cooperation with other parties, without our prior written consent, hold and/or be interested in, either directly or indirectly, any shares or securities or interest in any company or other business entity which is engaged or involved in, directly or indirectly, any activity or business which competes or is likely to compete, directly or indirectly, with the existing businesses of any member of our Group after the Listing (the "**Restricted Business**").

The non-competition undertaking does not apply to the holding of securities in a company that is engaged in the Restricted Business, provided that our Controlling Shareholder or its close associates does not individually and in aggregate hold or control the voting rights in respect of 10% or more of the issued share capital of such company.

Pursuant to the Deed of Non-Competition, our Controlling Shareholder has also undertaken that if it or any of its Affiliates become aware of any business opportunity relating to any Restricted Business (the "**Business Opportunity**"), it will notify us of such Business Opportunity as soon as they become aware of the same, and will use commercially reasonable efforts to assist our Group in pursuing such Business Opportunity. To the extent that the Business Opportunity is being made available by a third party to any of our Controlling Shareholder or its Affiliates, our Controlling Shareholder will use commercially reasonable efforts to procure that such Business Opportunity is first offered to our Group as soon as practicable on terms and conditions which are no less favourable than those offered to it or its Affiliates. Our Company will seek approval from our independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline such Business Opportunity. Our Controlling Shareholder will ensure that it or its Affiliates will be entitled to pursue the Business Opportunity only if: (i) it has received a notice from us declining such Business Opportunity and confirming that such Business Opportunity would not constitute competition with our core business; or (ii) it has not received any notice from us within a period of 10 Business Days (the "**Offer Notice Period**") of us being notified by it of such Business Opportunity. The Offer Notice Period shall be extended to not more than 30 Business Days at the request of our independent non-executive Directors who do not have a material interest in the matter.

The undertakings given by our Controlling Shareholder under the Deed of Non-Competition are effective from 13 March 2018 and terminate on the earlier of: (i) the date on which our Controlling Shareholder cease to be our controlling shareholder as defined in the Listing Rules; (ii) the date on which the Shares cease to be listed on the Stock Exchange; and (iii) the date on which our Group ceases to engage in the Restricted Businesses.

Our independent non-executive Directors will consider on an annual basis whether our Controlling Shareholder has complied with the terms set forth in the Deed of Non-Competition. Our independent non-executive Directors may appoint independent advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-Competition at the cost of our Company. We will disclose in our annual report decisions or determinations, with basis, in relation to matters reviewed by the independent non-executive Directors regarding: (i) the Business Opportunities offered by any of our Controlling Shareholder to us; and (ii) whether any activity or business or proposed activity or business of any of our Controlling Shareholder or its Affiliates competes or is likely to compete, either directly or indirectly, with the Restricted Business.

To ensure our independent non-executive Directors being able to monitor the compliance with the Deed of Non-Competition, our Controlling Shareholder has undertaken in the Deed of Non-Competition to provide and to procure the provision to us all information necessary for the enforcement of the undertakings contained therein. Our Controlling Shareholder has further undertaken to make a statement in our annual report confirming its compliance with the terms of the Deed of Non-Competition.

Our Controlling Shareholder has provided a written confirmation to the Company confirming that it has complied with the terms of the Deed of Non-Competition for the year ended 31 December 2021. The independent non-executive Directors have also reviewed the status of compliance by our Controlling Shareholder and confirmed that, as far as they can ascertain, our Controlling Shareholder has complied with the terms of the Deed of Non-Competition.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this report, as of 31 December 2021, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CONNECTED TRANSACTIONS

Details of the related party transactions during the year ended 31 December 2021 (the "**FY2021 Related Party Transactions**") are set out in note 36 to the consolidated financial statements. All of the FY2021 Related Party Transactions were connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules, in respect of which the Company had complied with the applicable requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2021. Except for the Non-fully Exempted Continuing Connected Transactions described below, all other FY2021 Related Party Transactions were fully exempt from the requirements under Chapter 14A of the Listing Rules pursuant to the de minimis threshold of HK$3 million under Rule 14A.76(1)(c) of the Listing Rules.

As disclosed in the Prospectus, the Group has entered into certain continuing connected transactions with connected persons (as defined under the Listing Rules) which were not fully-exempted from reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules (the "**Non-fully Exempted Continuing Connected Transactions**"). Details of which are set out below.

We have, through our wholly owned subsidiaries, Shenzhen Guoyintongbao and Jiangxi Jiyin Company Limited (江西吉銀實業有限公司) ("**Jiangxi Jiyin**"), entered into a framework purchase agreement with Longtianyong on 19 February 2018 in relation to the Group's sourcing of silver ingots and related raw materials from Longtianyong for the period from 13 March 2018 to 31 December 2020. On 16 November 2020, Jiangxi Jiyin and Longtianyong entered into a framework purchase agreement in relation to the Group's sourcing of silver ingots from Longtianyong for the period from 1 January 2021 to 31 December 2023 (the "**New Framework Purchase Agreement**"). The terms and annual caps for the three years ended/ending 31 December 2021, 2022 and 2023 of the New Framework Purchase Agreement were approved by the independent shareholders at the extraordinary general meeting of the Company held on 28 December 2020. Details of the New Framework Purchase Agreement and the transactions are set out in the Company's announcement and circular dated 16 November 2020 and 10 December 2020 respectively. The annual cap for the year ended 31 December 2021 under the New Framework Purchase Agreement was RMB400.0 million and the total amount of purchase under the New Framework Purchase Agreement during the year ended 31 December 2021 was approximately RMB92.5 million.

REPORT OF THE DIRECTORS

Longtianyong (referred to in full as "江西龍天勇有色金屬有限公司" in note 36 to the consolidated financial statements) is a wholly-owned subsidiary of China Silver Group, the immediate and ultimate holding company of the Company. China Silver Group is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Longtianyong is an associate of China Silver Group under Rule 14A.13(1) of the Listing Rules, and hence a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

The Non-fully Exempted Continuing Connected Transactions mentioned above have been reviewed by the Independent Non-executive Directors who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms;

(c) according to the relevant agreement governing the respective transactions on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(d) within the caps as set out in the circular dated 10 December 2020 of the Company.

The Company's auditor was engaged to report on the Group's Non-fully Exempted Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the Non-fully Exempted Continuing Connected Transactions disclosed by the Company in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

EQUITY-LINKED AGREEMENTS

Pursuant to the Company's pre-IPO employee share scheme adopted on 6 June 2016 and reconstituted on 16 February 2017 (the "**Pre-IPO Employee Share Scheme**"), Mr. Lin Ting, an employee of the Group, acts as the trustee and holds 166,025,000 Shares on trust for the benefit of himself and other 57 scheme participants. Please refer to the section headed "History, Reorganisation and Group Structure" in the Prospectus for further details of the Pre-IPO Employee Share Scheme, which was referred to as the "Employee Share Scheme" therein.

Pursuant to the Company's post-IPO employee share scheme adopted on 6 May 2019 (the "**Post-IPO Employee Share Scheme**"), Ms. Xue Meiqi, an employee of the Group, acts as the trustee and holds 84,287,040 Shares on trust for the benefit of 40 scheme participants. Please refer to the circular of the Company dated 31 July 2019 for further details of the Post-IPO Employee Share Scheme, which was referred to as the "New Employee Share Scheme" therein.

The 166,025,000 Shares under the Pre-IPO Employee Share Scheme were issued to Blaze Loop Limited (a wholly-owned investment holding vehicle of Mr. Lin Ting) on 16 February 2017. As at 31 December 2021, the number of Shares under the Pre- IPO Employee Share Scheme was 90,900,000 as certain participants (including Mr. Lin Ting and Ms. Xue Meiqi) had withdrawn a total of 75,125,000 Shares (to which they were beneficially entitled) from the trust under the Pre-IPO Employee Share Scheme during the year ended 31 December 2021 to hold such Shares in their respective own names. The 84,287,040 Shares under the Post-IPO Employee Share Scheme were issued to Ascend Delight Holdings Limited (a wholly-owned investment holding vehicle of Ms. Xue Meiqi) on 30 August 2019. Details of such Shares held by Mr. Lin Ting and Ms. Xue Meiqi are set out in the paragraph headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" above. No further Shares will be issued pursuant to the Pre-IPO Employee Share Scheme and the Post-IPO Employee Share Scheme.

Other than the Pre-IPO Employee Share Scheme and the Post-IPO Employee Share Scheme, no equity-linked agreements that will or may result in the Company issuing Shares or requiring the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year ended 31 December 2021 or subsisted at the end of the year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

We mainly operate in the PRC with most of the transactions settled in Renminbi and therefore have minimal exposure to foreign exchange risk. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will closely monitor such risk on an ongoing basis. For a detailed discussion, please refer to note 33(b) to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial reporting processes, risk management and internal control systems of the Group and discussed with the external auditor the audited consolidated financial statements for the year ended 31 December 2021. The Audit Committee is of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES AND SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct throughout the year ended 31 December 2021.

PERMITTED INDEMNITY PROVISION

Pursuant to article 191 of the Articles of Association, every Director is entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of the duties of his office or otherwise in relation thereto (except such is incurred or sustained through his own fraud or dishonesty). Such provision is currently in force as of the date of this report and was in force throughout the year ended 31 December 2021.

The Company has taken out and maintained appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company throughout the year ended 31 December 2021.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the Shares.

CORPORATE GOVERNANCE

The Company is committed to the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 28 to 42. of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, have been held by the public at all times for the year ended 31 December 2021 and up to the date of this report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2021 have been audited by Moore Stephens CPA Limited. Moore Stephens CPA Limited was appointed as auditor of the Company on 27 November 2020 after the resignation of Deloitte Touche Tohmatsu who had been the auditor of the Company since the date of preparation of its listing.

Moore Stephens CPA Limited will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the forthcoming annual general meeting of the Company for the re-appointment of Moore Stephens CPA Limited as auditor of the Company.

On behalf of the Board
Chen He
Chairman

Hong Kong, 29 April 2022

INDEPENDENT AUDITOR'S REPORT

MOORE

Moore Stephens CPA Limited

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moore.hk

大華馬施雲
會計師事務所有限公司

TO THE MEMBERS OF CSMALL GROUP LIMITED
金貓銀貓集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CSMall Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 60 to 129, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified valuation of inventories as a key audit matter due to the significance of balance to the consolidated financial statements and significant management's judgment involved in the valuation process. As explained in Note 4 to the consolidated financial statements, the management regularly reviews its inventory levels and ageing analysis to identify potential valuation problem of inventories and estimates the net realisable value of those inventories based primarily on the current market conditions and subsequent selling price. Referring to Note 4 to the consolidated financial statements, the carrying amount of inventories in the consolidated statement of financial position as at 31 December 2021 amounted to RMB978,469,000, without any write-down being recognised.	Our procedures in relation to assessing the appropriateness of the valuation of the inventories included: • Obtaining an understanding of the Group's inventory provision policy and the management's processes in identifying potential valuation problem of inventories; • Testing the accuracy of the ageing analysis prepared by the management, on a sample basis, by tracing to good receipt notes; • Assessing whether potential valuation problem of inventories was properly identified after taking into account the current market conditions and ageing analysis; and • Comparing the actual selling prices of finished goods subsequent to year end, on a sample basis, to their carrying amounts to check whether the finished goods are measured at the lower of cost and net realisable value.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore Stephens CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

Lai Hung Wai
Practising Certificate Number: P06995

Hong Kong, 29 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	**364,187**	347,768
Cost of sales		**(301,080)**	(259,490)
Gross profit		**63,107**	88,278
Other income, net	7a	**2,230**	5,827
Other gains and losses	7b	**(1,012)**	(11,527)
Selling and distribution expenses		**(29,693)**	(27,400)
Administrative expenses		**(34,302)**	(45,698)
Other expenses		**(230)**	(109)
Reversal of (provision for) impairment loss under expected credit loss model, net	9	**8,729**	(11,147)
Net loss on termination of assignment contract in relation to acquisition of a land use right	21(iv)	**–**	(27,441)
Finance costs	8	**(455)**	(1,613)
Profit (loss) before tax		**8,374**	(30,830)
Income tax expense	10	**(8,303)**	(4,773)
Profit (loss) and total comprehensive income (expense) for the year, attributable to the owners of the Company	11	**71**	(35,603)
		RMB	RMB
Earnings (loss) per share	14		
Basic		**0.000**	**(0.029)**
Diluted		**N/A**	**N/A**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**16,883**	8,779
Right-of-use assets	16	**8,326**	9,945
Intangible assets	17	**–**	–
Deferred tax assets	18	**4,317**	9,152
Refundable rental deposits		**707**	798
Deposits paid on acquisition of non-current assets	19	**93**	1,268
		30,326	29,942
CURRENT ASSETS			
Inventories	20	**978,469**	652,561
Trade and other receivables	21	**175,869**	231,409
Amount due from immediate holding company	22	**13,256**	12,542
Bank balances and cash	23	**312,649**	652,828
		1,480,243	1,549,340
CURRENT LIABILITIES			
Trade and other payables	24	**83,191**	136,203
Trade loans	25	**–**	10,000
Lease liabilities – current portion	26	**4,069**	6,572
Contract liabilities	27	**2,636**	6,159
Amounts due to fellow subsidiaries	22	**3,763**	3,938
Amounts due to related companies	22	**9,010**	9,010
Income tax payable		**5,570**	6,867
		108,239	178,749
NET CURRENT ASSETS		**1,372,004**	1,370,591
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,402,330**	1,400,533
CAPITAL AND RESERVES			
Share capital	28	**842**	842
Share premium and reserves		**1,396,247**	1,396,176
TOTAL EQUITY		**1,397,089**	1,397,018
NON-CURRENT LIABILITY			
Lease liabilities – non-current portion	26	**5,241**	3,515
TOTAL EQUITY AND NON-CURRENT LIABILITY		**1,402,330**	1,400,533

The consolidated financial statements on pages 60 to 129 were approved and authorised for issue by the board of directors on 29 April 2022 and are signed on its behalf by:

CHEN HE	QIAN PENGCHENG
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Contribution reserve RMB'000 (Note i)	Other reserve RMB'000 (Note ii)	Statutory reserve RMB'000 (Note iii)	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020	842	858,158	325,850	1,935	24,784	8	221,044	1,432,621
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(35,603)	(35,603)
Transfer	–	–	–	–	180	–	(180)	–
At 31 December 2020	842	858,158	325,850	1,935	24,964	8	185,261	1,397,018
Profit and total comprehensive income for the year	–	–	–	–	–	–	71	71
Transfer	–	–	–	–	938	–	(938)	–
At 31 December 2021	**842**	**858,158**	**325,850**	**1,935**	**25,902**	**8**	**184,394**	**1,397,089**

Note:

(i) The contribution reserve represents (a) net contribution from two fellow subsidiaries of the Group, included the funding and assets provided to the operation business of the Group prior to the reorganisation of the Group in preparation for listing (the "Reorganisation"), amounted to RMB224,000; (b) a subsidiary of the Group disposed of its 25% equity interest in an associate to China Silver Group (defined in note 1) for a consideration of RMB40 million during the year ended 31 December 2016. Loss on disposal of the associate of RMB753,000 was recognised in the contribution reserve as deemed distribution; and (c) During the year ended 31 December 2016, the Group disposed of its entire equity interest in a subsidiary to China Silver Group at nil consideration. Gain on disposal of a subsidiary of RMB3,009,000 was recognised in the contribution reserve as deemed contribution.

(ii) The other reserve represents the difference of (a) the consideration of RMB235,469,000 received of Pre-IPO investors for the issued shares of CSMall Group Limited BVI ("CSMall Group BVI"), a subsidiary of the Group, during the Reorganisation; and (b) the net asset value of CSMall Group BVI at the date of acquisition by the Company, amounted to RMB233,534,000 during the Reorganisation.

(iii) According to the relevant laws of the People's Republic of China (the "PRC"), the Group'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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES			
Profit (loss) before tax		8,374	(30,830)
Adjustments for:			
Amortisation of intangible assets		–	281
Bank interest income		(1,146)	(1,543)
Depreciation of property, plant and equipment		5,204	3,875
Depreciation of right-of-use assets		5,676	8,091
COVID-19-related rent concessions		–	(301)
Loss (gain) on early termination of leases		32	(77)
Finance costs		455	1,613
(Reversal of) provision for impairment loss under expected credit loss model, net		(8,729)	11,147
One-off write-off of COVID-19 diagnostic kits		–	12,539
Net loss on termination of assignment contract in relation to acquisition of a land use right		–	27,441
Gain on disposal of a subsidiary	29	–	(755)
Write-off of property, plant and equipment		1,415	–
Operating cash flows before movements in working capital		11,281	31,481
Decrease (increase) in refundable rental deposit		91	(798)
Increase in inventories		(314,688)	(214,026)
Decrease in trade and other receivables		38,940	235,798
(Decrease) increase in trade and other payables		(46,899)	23,379
Decrease in contract liabilities		(3,523)	(3,921)
Cash (used in) generated from operations		(314,798)	71,913
Income tax paid		(4,765)	(14,748)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(319,563)	57,165

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Interest received		**1,146**	1,543
Repayment from immediate holding company		**116**	1,124
Purchase of property, plant and equipment		**–**	(300)
Advance to immediate holding company		**(830)**	(887)
Refund of deposits paid on acquisition of a land use right	21(iv)	**25,275**	245,600
Net cash inflow on disposal of a subsidiary	29	**–**	2,624
Repayment from a fellow subsidiary		**–**	262
Deposits and other direct costs paid on acquisition of a land use right	21(iv)	**(30,881)**	(10,275)
Purchase of intangible assets		**–**	(9,812)
Deposits paid on acquisition of property, plant and equipment		**–**	(709)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(5,174)**	229,170
FINANCING ACTIVITIES			
Repayment of trade loans		**(10,000)**	(20,000)
Repayment of lease liabilities		**(4,812)**	(7,629)
Interest paid		**(455)**	(469)
Repayment to a fellow subsidiary		**(175)**	(164)
Advance from fellow subsidiaries		**–**	1,468
NET CASH USED IN FINANCING ACTIVITIES		**(15,442)**	(26,794)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(340,179)**	259,541
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**652,828**	393,287
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**312,649**	652,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

CSMall Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 19 January 2017. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 March 2018.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") operate the business of design and sale of gold, silver, colored gemstones , gem-set and other jewellery products in the PRC.

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

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

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

Except as described below, the application of the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year (continued)

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

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

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

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

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Going concern assessment

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any accumulated impairment loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 "Financial Instruments" ("**IFRS 9**"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

<u>Allocation of consideration to components of a contract</u>

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of retail shops that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchanges differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans including the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group's contribution to the defined contribution retirement schemes are expensed as incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss) profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax asset and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets (continued)

In testing a cash-generating unit for impairment, corporates assets are allocated to the relevant cash-generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, refundable rental deposits, other receivables, amount due from immediate holding company and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets that are credit-impaired or with significant outstanding balance is assessed individually. The ECL on the remaining balances is assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, trade loans, lease liabilities and amounts due to fellow subsidiaries/related companies are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are disclosed below.

Allowance for inventories

Inventories are valued at the lower of cost and net realisable value. The management regularly reviews its inventory levels and ageing analysis in order to identify potential valuation problem of inventories. The management estimates the net realisable value of those inventories based primarily on the current market conditions and subsequent selling price. The Group makes allowance for inventory when the Group identifies items of inventories which have a net realisable value that is lower than its carrying amount. As at 31 December 2021, the carrying amount of inventories is RMB978,469,000 (2020: RMB652,561,000), without any allowance recognised on inventories.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for certain of its trade receivables. The provision rates are based on historical default rates of various debtors that have similar loss patterns. The provision matrix is based on the shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers, taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables that are credit-impaired or with significant outstanding balances are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the trade receivables and the Group's ECL are disclosed in Notes 21 and 33, respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Provision of ECL for amount due from immediate holding company

Impairment of amount due from immediate holding company is assessed on 12m ECL basis when there had been no significant increase in credit risk since initial recognition. However, when there has been a significant increase in credit risk since origination, the allowances will be based on the lifetime ECL. Assessment are done based on the Group's historical credit loss experience, general conditions, internal credit ratings and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The provision of ECL is sensitive to changes in estimates. The information about amount due from immediate holding company and its ECL are disclosed in notes 22 and 33(b), respectively. As at 31 December 2021, the gross carrying amount of amount due from immediate holding company is HK$13,256,000 (2020: HK$12,542,000), and the provision of ECL as at 31 December 2021 is nil (2020: nil).

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's sales of gold products, silver products, colored gemstones and gem-set and other jewellery products.

As at 31 December 2021, the carrying amounts of right-of-use assets and property, plant and equipment subject to impairment assessment were RMB8,326,000 and RMB16,883,000 (2020: RMB9,945,000 and RMB8,779,000) respectively, after taking into account the impairment losses of nil (2020: nil) in respect of right-of-use assets and property, plant and equipment that have been recognised respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

Notes:

(i) Through the Group's self-operated online platform, sales orders are received from customers online and delivery is initiated and arranged by the platform. In view of the market climate and habits of consumers, the Group had suspended the operation of its self-operated online platform during the year, so as to reduce operating and promotion expenses and move on to focus on third-party online platforms.

(ii) Through various third-party online sales channels, including television and video shopping channels, e-commerce platform and instant messenger, sales orders are received from customers online and delivery is initiated and arranged by the channels.

(iii) It represents physical shops selling jewellery products, including self-operated CSmall Shops and franchised CSmall Shops.

(iv) It represents jewellery products exhibition hall self-operated by the Group located in Shuibei, Shenzhen.

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

5. REVENUE (continued)

(ii) Performance obligations for contracts with customers

Sales of gold products, sales of silver products, colored gemstones and gem-set and other jewellery products

The Group sells gold products, silver products, colored gemstones and gem-set and other jewellery products to (i) the wholesale market through self-operated online platform and offline retail and service network and (ii) directly to customers through self-operated online platform, third-party online sales channels and offline retail and services network.

For sales to the wholesale market, revenue is recognised when control of the goods is transferred, being the time when products are delivered to the wholesaler's specific location. Upon delivery, the wholesalers have full discretion over the manner of distribution and pricing to sell the goods, and they also bear the risks of obsolescence and loss in relation to the goods. The credit term granted to the wholesalers is 30 to 90 days from invoice date, and deposits received in advance are recognised as contract liabilities.

For sales directly to customers, revenue is recognised when goods are delivered or picked up, being the time when customers obtain control over the goods. The customers have a seven-day free return for jewellery products through online sales channels provided that the products are returned in their original state without damage. However, gold bars and silver bars are not returnable unless they are proved inauthentic and all other goods through offline retail and services network are not returnable. The Group uses its accumulated historical experience to estimate the number of return and considered that it is insignificant. Payments from the customers are made immediately upon or before delivery of the products. Payments received in advance are recognised as contract liabilities.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts with customers of the Group are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

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

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

Geographical information

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

	Revenue from external customers		Non-current assets	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
The PRC	**364,187**	347,768	**24,580**	19,291
Hong Kong	**–**	–	**722**	701
	364,187	347,768	**25,302**	19,992

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

Information about major customers

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

	2021 RMB'000	2020 RMB'000
Customer A[1]	**79,676**	60,569
Customer B[2]	**37,965**	N/A[3]
Customer C[1]	**N/A[3]**	36,763

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7a. OTHER INCOME, NET

	2021 RMB'000	2020 RMB'000
Government grants (Note)	810	2,811
Bank interest income	1,146	1,543
Service income	38	988
COVID-19-related rent concessions	–	301
(Loss) gain on early termination of leases	(32)	77
Others	268	107
	2,230	5,827

Note: For the year ended 31 December 2021, government grants were received from the local government of the PRC as incentives for brand promotion (2020: brand promotion and industrial transformation) by the Group. There are no unfulfilled conditions attached to the grants.

7b. OTHER GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000
Net exchange gain	403	1,228
Write-off of property, plant and equipment	(1,415)	–
COVID-19 diagnostic kit trading income (Note i)	–	2,667
COVID-19 diagnostic kit trading expenses (Note i)	–	(3,638)
One-off write-off of COVID-19 diagnostic kits (Note i)	–	(12,539)
Gain on disposal of a subsidiary (Note ii and Note 29)	–	755
	(1,012)	(11,527)

Notes:

i. During the year ended 31 December 2020, the Group had commenced a pilot expansion into a new business of COVID-19 diagnostic kit distribution in collaboration with a pharmaceutical company in the PRC. The Group had entered into a sale and purchase agreement with the pharmaceutical company to purchase COVID-19 diagnostic kits in the PRC and export to overseas. However, due to various factors including the turbulent international situation, the export of the diagnostic kit was blocked and the products were scrapped upon expiry. The Group recognised trading income of RMB2,667,000, trading expenses of RMB3,638,000 and one-off write-off of inventories of RMB12,539,000 during the year ended 31 December 2020. The Group ceased the expansion plan to the new business of COVID-19 diagnostic kit distribution.

ii. The amount represented gain on disposal of an indirect wholly-owned subsidiary, Shenzhen Yunpeng Software Development Company Limited (深圳雲鵬軟件開發有限公司) ("**Shenzhen Yunpeng**") previously held by the Group. Shenzhen Yunpeng was disposed of on 28 December 2020 at a cash consideration of RMB3,100,000 and did not have significant contribution to the results and cash flows of the Group during the year ended 31 December 2020 nor did it have significant assets and liabilities as at the date of disposal. Details of disposal of a subsidiary are set out in Note 29.

8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on trade loans	–	1,144
Interest on lease liabilities	455	469
	455	1,613

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

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

Details of impairment assessment are set out in Note 33.

10. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
PRC Enterprise Income Tax ("**EIT**")		
– current year	3,811	15,776
– overprovision in respect of prior years	(343)	(5,909)
	3,468	9,867
Deferred taxation (Note 18)	4,835	(5,094)
	8,303	4,773

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

Under the Law of the PRC on EIT (the "**EIT Law**") and its related implementation regulations, the Group's PRC subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both years except for Shenzhen Yunpeng, a former subsidiary of the Group (see Note 29), which was disposed of on 28 December 2020 and it was recognised as a Software Enterprise by the PRC tax authorities and it was entitled to an exemption of PRC EIT for the first two consecutive years beginning from 2016 and a 50% reduction for the following three consecutive years. For the year ended 31 December 2020, Shenzhen Yunpeng, the former subsidiary, was subjected to PRC EIT at a rate of 12.5%.

10. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 RMB'000	2020 RMB'000
Profit (loss) before tax	**8,374**	(30,830)
Tax at the domestic income tax rate of 25% (2020: 25%)	**2,094**	(7,708)
Tax effect of expenses not deductible for tax purpose	**3,071**	20,712
Tax effect of income not taxable for tax purpose	**(427)**	(2,789)
Tax effect of deductible temporary differences not recognised	**–**	275
Tax effect of concessionary tax rate granted	**–**	(256)
Tax effect of tax losses not recognised	**2,941**	812
Utilisation of tax losses previously not recognised	**–**	(1)
Overprovision in respect of prior years	**(343)**	(5,909)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**967**	(363)
Income tax expense for the year	**8,303**	4,773

Details of deferred tax recognised are set out in Note 18.

11. PROFIT (LOSS) FOR THE YEAR

	2021 RMB'000	2020 RMB'000
Profit (loss) for the year has been arrived at after charging:		
Directors' emoluments (Note 13)	**1,959**	3,021
Other staff costs:		
– salaries and other allowances	**16,498**	19,375
– retirement benefits scheme contributions	**2,532**	1,519
Total staff costs	**20,989**	23,915
Auditor's remuneration	**1,078**	1,115
Amortisation of intangible assets	**–**	281
Depreciation of property, plant and equipment	**5,204**	3,875
Depreciation of right-of-use assets	**5,676**	8,091
Cost of inventories recognised as expenses (included in cost of sales)	**301,080**	259,490
Expenses on short-term leases in respect of retail shops	**173**	343

12. DIVIDENDS

No dividends were paid, declared or proposed for ordinary shareholders of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and Chief Executive's emoluments

Details of the emoluments paid or payable to the directors of the Company during the year are as follows:

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2021				
Executive directors				
Mr. Chen He	–	1,315	13	1,328
Mr. Qian Pengcheng	–	120	13	133
Mr. Zhang Jinpeng (Note a)	–	–	–	–
	–	1,435	26	1,461
Independent non-executive directors				
Mr. Yu Leung Fai (Note b)	19	–	–	19
Mr. Hu Qilin	166	–	–	166
Mr. Zhang Zuhui	166	–	–	166
Mr. Fu Lui (Note c)	147	–	–	147
	498	–	–	498
Total	498	1,435	26	1,959

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and Chief Executive's emoluments (continued)

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2020				
Executive directors				
Mr. Chen He	–	1,396	10	1,406
Mr. Qian Pengcheng	–	282	10	292
Mr. Zhang Jinpeng (Note a)	–	758	31	789
	–	2,436	51	2,487
Independent non-executive directors				
Mr. Fu Lui (Note c)	178	–	–	178
Mr. Hu Qilin	178	–	–	178
Mr. Zhang Zuhui	178	–	–	178
	534	–	–	534
Total	534	2,436	51	3,021

Notes:

(a) Resigned on 8 February 2021.

(b) Appointed on 19 November 2021.

(c) Resigned on 19 November 2021.

The emoluments of the executive directors shown above are for their services as directors and employees in connection with the management of the affairs of the Company and the Group during both years.

The independent non-executive directors' emoluments shown above are for their services as directors of the Company.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Five highest paid employees

One director of the Company was included in the Group's five highest paid individuals for the year ended 31 December 2021 (2020: three). The emoluments of the remaining four (2020: two) individuals are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other allowances	1,591	712
Retirement benefits scheme contributions	85	17
	1,676	729

Their emoluments were within the following band:

	2021 Number of employees	2020 Number of employees
Not exceeding HK$1,000,000	4	2

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to any of the directors of the Company and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors waived or agreed to waive any emolument during both years.

14. EARNINGS (LOSS) PER SHARE

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST					
At 1 January 2020	2,288	14,723	5,051	2,972	25,034
Additions	38	1,192	274	–	1,504
Disposal of a subsidiary (Note 29)	–	–	(144)	–	(144)
At 31 December 2020	2,326	15,915	5,181	2,972	26,394
Additions	**–**	**14,723**	**–**	**–**	**14,723**
Written off	**–**	**(10,325)**	**(4,135)**	**–**	**(14,460)**
At 31 December 2021	**2,326**	**20,313**	**1,046**	**2,972**	**26,657**
DEPRECIATION					
At 1 January 2020	348	7,872	3,879	1,707	13,806
Provided for the year	213	2,667	446	549	3,875
Eliminated on disposal of a subsidiary (Note 29)	–	–	(66)	–	(66)
At 31 December 2020	561	10,539	4,259	2,256	17,615
Provided for the year	**214**	**4,279**	**228**	**483**	**5,204**
Eliminated on written off	**–**	**(9,287)**	**(3,758)**	**–**	**(13,045)**
At 31 December 2021	**775**	**5,531**	**729**	**2,739**	**9,774**
CARRYING VALUES					
At 31 December 2021	**1,551**	**14,782**	**317**	**233**	**16,883**
At 31 December 2020	1,765	5,376	922	716	8,779

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment, after taking into account their estimated residual values, are depreciated on a straight-line basis, at the following rates per annum:

Plant and machinery	10%
Leasehold improvements	20%
Office equipment	20%
Motor vehicles	20%

16. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
As at 31 December 2021	
Carrying amount	**8,326**
As at 31 December 2020	
Carrying amount	9,945
For the year ended 31 December 2021	
Depreciation charge	**5,676**
For the year ended 31 December 2020	
Depreciation charge	8,091

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Expenses relating to short-term leases	**173**	343
Total cash outflow for leases	**5,440**	8,441
Additions to right-of-use assets	**9,051**	9,754

16. RIGHT-OF-USE ASSETS (continued)

For both years, the Group leases office premises, showrooms, warehouse and retail shops for its operations. Majority of lease contracts are entered into for lease terms of one to five years for the year ended 31 December 2021 (2020: two to eight years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease terms and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has extension option in one of its property leases (2020: nil). This is used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension option. In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. At the commencement date of the Group's property lease, the Group assessed and concluded that it is not reasonably certain to exercise the extension option. During the years ended 31 December 2021, there is no such triggering event and the Group remains to be not reasonably certain to exercise the extension option.

The Group regularly entered into short-term leases for retail shops. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB9,310,000 (2020: RMB10,087,000) are recognised with related right-of-use assets of RMB8,326,000 (2020: RMB9,945,000) as at 31 December 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lesser. Leased assets may not be used as security for borrowing purposes.

Rent concessions

During the year ended 31 December 2020, lessors of offices provided rent concessions to the Group through rent reductions of one month.

These rent concessions occurred as a direct consequence of COVID-19 pandemic and met all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant lease of RMB301,000 were recognised as negative variable lease payments in profit or loss during the year ended 31 December 2020 (see Note 7a).

During the year ended 31 December 2021, there was no rent concession provided by lessors of offices to the Group.

17. INTANGIBLE ASSETS

	System software RMB'000
COST	
At 1 January 2020	8,795
Additions	17,906
Disposal of a subsidiary (Note 29)	(17,906)
At 31 December 2020 and 31 December 2021	**8,795**
AMORTISATION	
At 1 January 2020	8,514
Provided for the year	281
At 31 December 2020 and 31 December 2021	**8,795**
CARRYING VALUES	
At 31 December 2021	**–**
At 31 December 2020	–

The system software is amortised on a straight-line basis over its estimated useful lives of 3 to 5 years.

18. DEFERRED TAXATION

The followings are the major deferred tax assets recognised and movements thereon during the current and prior years:

	Unrealised profit RMB'000	ECL provision RMB'000	Total RMB'000
At 1 January 2020	4,058	–	4,058
Credit to profit or loss (Note 10)	831	4,263	5,094
At 31 December 2020	4,889	4,263	9,152
Charge to profit or loss (Note 10)	**(2,220)**	**(2,615)**	**(4,835)**
At 31 December 2021	**2,669**	**1,648**	**4,317**

18. DEFERRED TAXATION (continued)

At the end of the reporting period, the Group has unused tax losses arising in Hong Kong of HK$20,979,000 (equivalent to approximately RMB17,138,000) (2020: HK$5,105,000 (equivalent to approximately RMB4,297,000)) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to unpredictability of future profit streams. All losses may be carried forward indefinitely.

As at 31 December 2021, the Group has tax losses arising in the PRC of RMB22,084,000 (2020: RMB19,013,000) available for offset against future profits that may be carried forward for up to five years for EIT purpose. No deferred tax asset has been recognised in respect of the tax losses due to unpredictability of future profit streams.

At the end of the reporting period, the Group has deductible temporary differences of nil (2020: RMB1,666,000) due to the recognition of expected credit loss on not credit-impaired balance. No deferred tax asset was recognised in relation to such deductible temporary difference for the year ended 31 December 2020 as it was not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends payable to non-PRC shareholders which is declared in respect of profits earned by the PRC subsidiaries. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB438,032,000 as at 31 December 2021 (2020: RMB428,336,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

19. DEPOSITS PAID ON ACQUISITION OF NON-CURRENT ASSETS

	2021 **RMB'000**	2020 RMB'000
Deposits paid on acquisition of property, plant and equipment (Note)	**93**	1,268

Note: The amount represents deposits paid by the Group in relation with the acquisition of plant and equipment. The unsettled amount is disclosed as capital commitments in Note 30.

20. INVENTORIES

	2021 **RMB'000**	2020 RMB'000
Raw materials	**524,303**	118,210
Finished goods	**454,166**	534,351
	978,469	652,561

The Group has pledged inventories with a carrying value of approximately RMB30,000,000 at 31 December 2020 to secure trade loans of the Group as detailed in Note 37. Such inventories have been released from pledge during the year ended 31 December 2021. In the opinion of directors of the Company, no inventory was pledged as at 31 December 2021.

21. TRADE AND OTHER RECEIVABLES

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

Notes:

(i) The Group pledged trade receivables with a carrying value of approximately RMB75,000,000 at 31 December 2020 to secure trade loans of the Group as detailed in Note 37. Such trade receivables was released from the pledge during the year ended 31 December 2021.

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

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

(iv) In September 2018, Huzhou Baiyin Property Co., Ltd. (湖州白銀置業有限公司) ("**Huzhou Baiyin**"), an indirect wholly-owned subsidiary of the Group entered into an assignment contract (the "**Contract**") with Huzhou South Taihu New District Management Committee (the "**Huzhou Committee**") and Huzhou Municipal Bureau of Natural Resources and Planning (the "**Bureau**") in relation to the acquisition of the land use right over a piece of land located in Huzhou, the PRC (the "**Acquisition**"). The total consideration for the land use right was RMB285,000,000.

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

As at 31 December 2020, the Group paid an aggregate amount of RMB232,500,000 of deposits and other direct costs of RMB26,713,000 in relation to the Acquisition. An amount of RMB245,600,000 arising from the Compensation Sum was received by the Group during the year ended 31 December 2020 and the remaining RMB25,275,000 of the Compensation Sum was recorded and included in other receivables at 31 December 2020, which was fully received during the year ended 31 December 2021. As at 31 December 2020, however, certain pre-construction costs had been incurred before the termination of the Acquisition remained payables to the Group and provision had been made of RMB39,103,000 as set out in Note 24(ii). As a result of the termination of the Contract, there was a net loss of RMB27,441,000 recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2020.

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

21. TRADE AND OTHER RECEIVABLES (continued)

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

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

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

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

As at 31 December 2021, included in the Group's trade receivables, net of allowance of credit losses were debtors with aggregate carrying amount of RMB12,036,000 (2020: RMB46,679,000) which were past due as at the reporting date. Out of the past due balances, RMB1,367,000 (2020: RMB8,003,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customer. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 33.

22. AMOUNT(S) DUE FROM (TO) IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/RELATED COMPANIES

As at 31 December 2021 and 2020, the amount due from immediate holding company, China Silver Group, and amounts due to fellow subsidiaries were non-trade in nature, unsecured, interest-free and repayable on demand.

The amounts due to related companies as at 31 December 2021 and 2020 are non-trade in nature, unsecured, interest-free and repayable on demand.

22. AMOUNT(S) DUE FROM (TO) IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/RELATED COMPANIES (continued)

Amounts due to related companies represent (i) an amount of RMB8,250,000 (2020: RMB8,250,000) due to a museum in the PRC, namely 景寧畲族自治縣畲銀博物館, of which Mr. Chen He, being an executive director of the Company is one of the operating committee members, and (ii) an amount of RMB760,000 (2020: RMB760,000) due to 江西金貓銀貓支付有限公司 ("**Jiangxi CSMall Payment**") which is a wholly owned subsidiary of Shenzhen Yinruiji Cultural Development Company Limited, a company controlled by Mr. Qian Pengcheng, being an executive director of the Company. The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

23. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market interest rates ranging from 0.001% to 0.350% per annum for both years.

The Group's bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2021	2020
	RMB'000	RMB'000
Hong Kong dollar	**201**	76
United States dollar	**1**	1
	202	77

As at 31 December 2021, the bank balances and cash of the Group denominated in RMB amounted to RMB312,406,000 (2020: RMB652,751,000). The conversion of RMB denominated bank balances and cash into foreign currencies and the remittance of such foreign currencies denominated balances out of the PRC are subject to the relevant rules and regulations of foreign exchange control by the government authorities concerned.

24. TRADE AND OTHER PAYABLES

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

Notes:

(i) Included in the other payables are payables for office leasehold improvement amounted to RMB14,767,000 (2020: nil).

(ii) As at 31 December 2020, the balance included an amount of RMB20,650,000 payable to Zhejiang Jifeng Geotechnical Technology Co., Ltd. (浙江績豐岩土技術有限公司 ("**Zhejiang Jifeng Geotechnical**") which represented pre-construction costs incurred in relation to the land use right as detailed in Note 21(iv). During the year ended 31 December 2021, total pre-construction costs incurred to Zhejiang Jifeng Geotechnical amounted to nil (2020: RMB37,514,000) and the balance due to Zhejiang Jifeng Geotechnical amounted to RMB20,650,000 has been fully paid. Mr. Chen Wantian, a director of China Silver Group is also a director (out of the six directors as at 31 December 2021 (2020: twelve directors)) of Zhejiang Jifeng Geotechnical and holds 5.44% equity interest therein.

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

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

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

25. TRADE LOANS

	2021 RMB'000	2020 RMB'000
Trade loans	–	10,000

On 11 December 2019, 深圳國銀通寶有限公司 ("**Shenzhen Guoyintongbao**"), a subsidiary of the Group, entered into a reverse factoring agreement with a bank in the PRC, pursuant to which the bank agreed to grant revolving trade loan credit limit of not more than RMB20,000,000 to Shenzhen Guoyintongbao in respect of the Group's payment obligations under the contracts to certain suppliers. Under the reverse factoring arrangement, the bank in the PRC would settle the suppliers at a date earlier than Shenzhen Guoyintongbao settles with the bank, and Shenzhen Guoyintongbao would have a longer credit period.

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

In addition, the trade loans were secured by (i) personal guarantees executed by Mr. Chen He (an executive director of the Company) and Mr. Chen Wantian (a director of China Silver Group) and their respective spouses; and (ii) a corporate guarantee executed by China Silver Group, which had been released during the year ended 31 December 2021.

Details of non-cash transactions and the Group's assets pledged to secure the above trade loans are set out in Notes 34 and 37.

26. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	4,069	6,572
Within a period of more than one year but not more than two years	3,622	2,652
Within a period of more than two years but not more than five years	1,619	863
	9,310	10,087
Less: Amount due for settlement within 12 months shown under current liabilities	(4,069)	(6,572)
Amount due for settlement after 12 months shown under non-current liability	5,241	3,515

The weighted average incremental borrowing rate applied to lease liabilities is 4.69% (2020: 4.62%) per annum for the year ended 31 December 2021.

26. LEASE LIABILITIES (continued)

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2021 RMB'000	2020 RMB'000
Hong Kong dollar	788	713

27. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Amount received in advance of sales of goods	2,636	6,159

As at 1 January 2020, contract liabilities amounted to RMB10,080,000.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Amounts received in advance of sales of goods	
	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	6,159	10,080

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group receives 30% to 100% of the contract amounts as deposits from customers when the sales order is issued. The entire amount of contract liabilities will be recognised as revenue when the customers obtained the control of goods.

28. SHARE CAPITAL OF THE COMPANY

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

29. DISPOSAL OF A SUBSIDIARY

On 28 December 2020, Shenzhen Guoyintongbao, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Huizhou Zhiyin Equity Investment Management Co., Ltd. (湖州智銀股權投資管理有限公司) (the "**Purchaser**"), a company incorporated in the PRC with limited liability, to dispose of the entire equity interest in Shenzhen Yunpeng, a wholly-owned subsidiary of the Company primarily engaged in software development for a consideration of RMB3,100,000, which shall be paid in full by the Purchaser to Shenzhen Guoyintongbao on the date of disposal (the "**Disposal**"). The Disposal was completed on 28 December 2020.

Consideration received:

	RMB'000
Cash received	3,100

29. DISPOSAL OF A SUBSIDIARY (continued)

Analysis of assets and liabilities of Shenzhen Yunpeng at the date of disposal over which control was lost:

	28 December 2020 RMB'000
Property, plant and equipment	78
Intangible assets	17,906
Trade and other receivables	4,001
Bank balances and cash	476
Other payables	(361)
Tax payables	(256)
Amount due to Shenzhen Guoyintongbao	(19,499)
Net assets disposed of	2,345

Gain on disposal of a subsidiary:

	RMB'000
Consideration received	3,100
Net assets disposed of	(2,345)
Gain on disposal	755

Net cash inflow arising on disposal

	RMB'000
Cash consideration	3,100
Less: bank balances and cash disposed of	(476)
	2,624

30. CAPITAL COMMITMENTS

	2021 **RMB'000**	2020 RMB'000
Capital expenditure in respect of acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**140**	8,572

31. RETIREMENT BENEFIT PLANS

The Group participates in a Mandatory Provident Fund Scheme ("**MPF Scheme**") for all qualifying employees in Hong Kong established under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. No forfeited contribution is available to reduce the contribution payable in future years.

During the year ended 31 December 2021, the total expenses recognised in profit or loss of RMB2,558,000 (2020: RMB1,570,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes amounts due to fellow subsidiaries, amounts due to related companies, trade loans and lease liabilities as disclosed in Notes 22, 25 and 26, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital, and will take appropriate actions to balance its overall capital structure.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortised cost	**354,234**	795,514
Financial liabilities		
Amortised cost	**44,893**	83,399
Lease liabilities	**9,310**	10,087
	54,203	93,486

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, refundable rental deposits, amount due from immediate holding company, bank balances and cash, trade and other payables, trade loans, lease liabilities, amounts due to fellow subsidiaries and amounts due to related companies. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

Currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities that are denominated in currencies other than the functional currency at the end of the reporting period are as follows:

	Assets		Liabilities	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong Dollar	**1,704**	894	**4,463**	4,783
United States Dollar	**319**	2,210	**88**	91
	2,023	3,104	**4,551**	4,874

The Group currently does not have a foreign currency hedging policy. However, the management of the Company will monitor foreign exchange exposure closely and consider the use of hedging instruments when the need arises.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in the relevant foreign currencies against RMB. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates. A negative (positive) number below indicates a decrease (increase) in post-tax profit where the relevant foreign currency strengthens 5% (2020: 5%) against RMB. For a 5% (2020: 5%) weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the post-tax profit.

	HK$		US$	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Post-tax profit	**(115)**	(146)	**10**	79

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 23 for details) and fair value interest rate risk in relation to lease liabilities (see Note 26 for details) and fixed-rate trade loans (see Note 25 for details).

The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

Sensitivity analysis

No sensitivity analysis is presented since the directors of the Company consider the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

Credit risk and impairment assessment

At the end of the reporting period, the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position as trade and other receivables, refundable rental deposits (included in refundable rental deposit and other receivables, deposits and prepayments), amount due from immediate holding company and bank balances, which those best represent the Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers, taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Refundable rental deposits

The credit risk arising from refundable rental deposits is limited as the Group may utilise such amount for the payment of outstanding rental expenses.

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on 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 and the Group provided impairment based on 12m ECL. For the years ended 31 December 2021 and 2020, the Group assessed the ECL for other receivables and deposits are insignificant and thus no loss allowance is recognised.

Amount due from immediate holding company

As at 31 December 2020, the credit risk arising from amount due from immediate holding company of approximately RMB12,542,000 is limited and classified as low risk after assessing its financial background. The Group assessed the ECL for the amount due from immediate holding company is insignificant and no allowance is recognised.

As at 31 December 2021, the amount due from immediate holding company amounts to approximately RMB13,256,000. The Group has assessed its financial background as at 31 December 2021, the adjusted consolidated current liabilities of immediate holding company would exceed its adjusted consolidated current asset by RMB391,682,000 after excluding the current assets and current liabilities attributable to the Group, while the adjusted consolidated net liabilities of immediate holding company is RMB163,782,000. The credit risk arising from amount due from immediate holding company is considered as doubtful as there have been significant increases in credit risk since initial recognition, taken into account that there is an existing adverse change in the financial condition of immediate holding company during the current year that are expected to cause a significant decrease in its ability to meet its obligation. Thus, the Group measures the loss allowance of amount due from immediate holding company equal to its lifetime ECL.

In the opinion of the directors of the Company, the credit risk of its immediate holding company could be mitigated and limited after the immediate holding company implemented series of measures, which are disclosed in note 3 of its consolidated financial statements for the year ended 31 December 2021, in order to improves its consolidated financial position, liquidity and cash flows. With the consideration on the implementation of series of measures by immediate holding company, the directors of the Company are in the view that the lifetime ECL for amount due from immediate holding company is insignificant and no allowance is recognised for the year ended 31 December 2021.

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Amount due from a former subsidiary, Shenzhen Yunpeng (included in other receivables)

For the year ended 31 December 2020, the Group assessed the ECL for amount from a former subsidiary, Shenzhen Yungpeng, is insignificant and thus no loss allowance is recognised. The credit risk arising from amount due from a former subsidiary, Shenzhen Yunpeng, was considered as limited after assessing the financial background of the counterparty and this amount was fully settled during the year ended 31 December 2021.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks with good reputation.

Concentration risk of bank balance

As at 31 December 2021, the cash and cash equivalents were deposited in reputable financial institutions in the PRC. The Group had certain concentration of credit risk as 99.1% (2020: 99.6%) of the total of cash and cash equivalents was deposited with one financial institution in the PRC. The directors of the Company do not expect any losses from non-performance by these counterparties.

Concentration risk of trade receivables

The Group has concentration of credit risk in relation to its trade receivables as follows:

	2021 **RMB'000**	2020 RMB'000
Amount due from the largest debtor as a percentage to total trade receivables	**29%**	27%
Total amount due from the five largest debtors as a percentage to total trade receivables	**60%**	75%

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and may have any past-due amounts but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	31 December 2021 Gross carrying amount		31 December 2020 Gross carrying amount	
					RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost								
Trade receivables	21	N/A	Note (i)	Lifetime ECL (provision matrix)	10,534		22,471	
	21	N/A	Low risk	Lifetime ECL (individual assessment)	11,664		68,955	
	21	N/A	Doubtful	Lifetime ECL (individual assessment)	5,754		8,057	
	21	N/A	Loss	Credit-impaired	7,011	34,963	978	100,461
Refundable rental deposits (included in refundable rental deposits and other receivables, deposits and prepayments)	21	N/A	Note (ii)	12m ECL		3,991		4,506
Other receivables	21	N/A	Note (ii)	12m ECL		1,231		26,263
Amount due from immediate holding company	22	N/A	Note (ii)	Lifetime ECL		13,256		12,542
Amount due from a former subsidiary, Shenzhen Yunpeng (included in other receivables)	21	N/A	Note (ii)	12m ECL		–		19,499
Bank balances	23	P-1	Note (iii)	12m ECL		312,336		652,392

Notes:

(i) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired or with significant outstanding balances, the Group determines the expected credit losses on these items by using a provision matrix.

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its debtors except for those that with significant outstanding balances or credit-impaired. The following table provides information about the exposure to credit risk for trade receivables as at 31 December 2021 and 2020 which are assessed based on provision matrix within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances and credit-impaired with gross carrying amounts of RMB17,418,000 and RMB7,011,000 respectively as at 31 December 2021 (2020: RMB77,012,000 and RMB978,000) were assessed individually.

Gross carrying amount

	2021			2020		
	Trade receivables RMB'000	Average loss rate	Expected credit loss RMB'000	Trade receivables RMB'000	Average loss rate	Expected credit loss RMB'000
Current (not past due)	5,430	3.23%	176	5,534	2.11%	116
1-30 days past due	1,667	7.95%	133	3,819	5.24%	200
31-60 days past due	292	12.83%	37	400	9.05%	36
61-90 days past due	768	18.15%	139	132	15.01%	20
More than 90 days past due	2,377	71.36%	1,696	12,586	52.50%	6,608
	10,534		2,181	22,471		6,980

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could lead to increased credit default rates.

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	7,771	1,667	9,438
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment losses reversed	(6,043)	(689)	(6,732)
– Impairment losses recognised	5,941	–	5,941
New financial assets originated			
– Impairment losses recognised	11,938	–	11,938
As at 31 December 2020	19,607	978	20,585
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses reversed	**(15,262)**	**(400)**	**(15,662)**
– Impairment losses recognised	**1,760**	**2,662**	**4,422**
– Transfer to credit-impaired	**(3,771)**	**3,771**	**–**
New financial assets originated			
– Impairment losses recognised	**2,511**	**–**	**2,511**
As at 31 December 2021	**4,845**	**7,011**	**11,856**

As at 31 December 2021, net impairment allowance of RMB2,181,000 and RMB2,664,000 (2020: net impairment allowance of RMB6,980,000 and RMB12,627,000) on not credit-impaired trade receivables were provided based on the provision matrix and individual assessment, respectively. During the year ended 31 December 2021, net impairment allowance of RMB7,011,000 (2020: net impairment allowance of RMB978,000) was made on credit-impaired debtors, of which RMB400,000 is reversed (2020: RMB689,000) due to receipt of full repayment of respective outstanding amount.

In addition, changes in the loss allowance on credit-impaired trade receivables are mainly due to certain trade debtors with a gross carrying amount of RMB6,433,000 (2020: nil) which the management of the Group considers the debtors are in financial difficulties and not probable to repay the trade receivables in foreseeable future. Impairment allowance on credit-impaired trade receivables amounted to RMB2,662,000 is further recognised during the years ended 31 December 2021.

(ii) For refundable rental deposits, other receivables, amount due from a former subsidiary, Shenzhen Yunpeng, the Group measures the loss allowance equal to 12m ECL. For amount due from immediate holding company, the Group applies internal credit risk management to assess whether credit risks has increased significantly since initial recognition and considered its internal credit risk as doubtful, in which case the Group recognises lifetime ECL.

(iii) Bank balances are deposited with financial institutions with high credit rating and are considered low credit risk financial assets. The directors of the Company consider these assets are short-term in nature and the probability of default is negligible on the basis of their high-credit ratings. Therefore, no impairment allowance is made on theses balances.

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31/12/2021 RMB'000
At 31 December 2021							
Trade payables	–	31,150	–	–	–	31,150	31,150
Other payables	–	970	–	–	–	970	970
Lease liabilities	4.69	397	794	3,269	5,393	9,853	9,310
Amounts due to related companies	–	9,010	–	–	–	9,010	9,010
Amounts due to fellow subsidiaries	–	3,763	–	–	–	3,763	3,763
		45,290	794	3,269	5,393	54,746	54,203

	Weighted average interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31/12/2020 RMB'000
At 31 December 2020							
Trade payables	–	58,069	–	–	–	58,069	58,069
Trade loans	5.66	10,000	–	–	–	10,000	10,000
Other payables	–	2,382	–	–	–	2,382	2,382
Lease liabilities	4.62	641	1,254	5,007	3,635	10,537	10,087
Amounts due to related companies	–	9,010	–	–	–	9,010	9,010
Amounts due to fellow subsidiaries	–	3,938	–	–	–	3,938	3,938
		84,040	1,254	5,007	3,635	93,936	93,486

33. FINANCIAL INSTRUMENTS (continued)

(c) 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 consolidated financial statements approximate their fair values.

The fair values of these financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

34. MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions:

During the year ended 31 December 2020, the Group entered into a reverse factoring agreement as disclosed in Note 25, trade payables amounting to RMB9,428,000 was settled by trade loans.

During the year ended 31 December 2020, the Group entered into new lease agreements for the use of warehouse and office premises for 1 to 5 years. On the lease commencement, the Group recognised RMB9,754,000 of right-of-use assets and RMB9,754,000 of lease liabilities.

During the year ended 31 December 2021, the Group renewed lease agreements for the use of warehouse and office premises for 1 to 3 years and recognized RMB9,051,000 of right-of-use assets and RMB9,051,000 of lease liabilities.

During the year ended 31 December 2021, the Group recognised the property, plant and equipment at the amount of RMB13,548,000 which were settled by trade and other payables.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to fellow subsidiaries RMB'000	Amounts due to related companies RMB'000	Trade loans RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2020	2,634	9,010	19,428	8,833	39,905
Financing cash flows	1,304	–	(20,000)	(8,098)	(26,794)
Finance costs recognised	–	–	1,144	469	1,613
New leases entered (Note 34)	–	–	–	9,754	9,754
COVID-19-related rent concessions	–	–	–	(301)	(301)
Early termination of leases	–	–	–	(570)	(570)
Settlement of trade payables (Note 34)	–	–	9,428	–	9,428
At 31 December 2020	3,938	9,010	10,000	10,087	33,035
Financing cash flows	**(175)**	**–**	**(10,000)**	**(5,267)**	**(15,442)**
Finance costs recognised	**–**	**–**	**–**	**455**	**455**
Leases renewed (Note 34)	**–**	**–**	**–**	**9,051**	**9,051**
Early termination of leases	**–**	**–**	**–**	**(5,016)**	**(5,016)**
At 31 December 2021	**3,763**	**9,010**	**–**	**9,310**	**22,083**

36. RELATED PARTY DISCLOSURES

(a) Other than as disclosed elsewhere in these consolidated financial statements, the Group has following significant transactions and balances with related parties:

Name of related parties	Relationship	Nature of transactions	2021 RMB'000	2020 RMB'000
江西龍天勇有色金屬有限公司	A fellow subsidiary of the Group and a subsidiary of China Silver Group (Note i)	Purchase of silver ingots	**92,522**	258,823
		Repayments of lease liabilities (Note ii)	**600**	600
		Interest expenses on lease liabilities	**83**	107
上海華通鉑銀交易市場有限公司	A fellow subsidiary of the Group and a subsidiary of China Silver Group (Note i)	Sale of jewellery products (Note iii)	**165**	59
上海華通銀寶鉑銀製品有限公司	A fellow subsidiary of the Group and a subsidiary of China Silver Group (Note i)	Sale of jewellery products	**–**	3

Notes:

(i) China Silver Group is the immediate and ultimate holding company of the Group.

(ii) The Group entered into a lease agreement for the use of warehouse and office premises with the fellow subsidiary for 5 years. As at 31 December 2021, the payable due to the fellow subsidiary amounted to RMB1,405,000 (2020: RMB1,922,000), which included in lease liabilities.

(iii) As at 31 December 2021, the receivable due from the fellow subsidiary amounted to RMB26,000 (2020: nil), which included in trade and other receivables.

(b) Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in Notes 21(ii) and 22.

(c) Compensation of key management personnel

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

	2021 RMB'000	2020 RMB'000
Salaries and other allowances	**2,231**	3,290
Retirement benefits schemes contributions	**41**	67
	2,272	3,357

The remuneration of directors to the Company and key management personnel of the Group is determined with regard to the performance of individuals and market trends.

37. PLEDGE OF ASSETS

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

	2021 RMB'000	2020 RMB'000
Inventories	–	30,000
Trade receivables	–	75,000
	–	105,000

In addition, as at 31 December 2020, the trade loans of the Group were secured by i) personal guarantees executed by Mr. Chen He (an executive director of the Company) and Mr. Chen Wantian (a director of China Silver Group) and their respective spouses; and ii) a corporate guarantee executed by China Silver Group. During the year ended 31 December 2021, in the opinion of the directors of the Company, the facility of the trade loan had been expired and the pledged assets and guarantees were released.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company 2021	2020	Principal activities/ place of operations	Form of company
Directly owned						
CSMall Group BVI 金貓銀貓集團有限公司	The BVI	Ordinary Shares US$83,233	100%	100%	Investment holding/ Hong Kong	Limited liability
CSMall Holdings Limited BVI 金貓銀貓控股有限公司	The BVI	Ordinary shares US$50,000	100%	100%	Investment holding/ Hong Kong	Limited liability
Indirectly owned						
China Silver Jewellery Group Limited 中國白銀珠寶集團有限公司	Hong Kong	Ordinary shares HK$10,000	100%	100%	Investment holding/ Hong Kong	Limited liability
Bit Silicon Valley Blockchain Technology Limited 比特硅谷區塊鏈技術有限公司##	Hong Kong	Ordinary shares HK$10,000	100%	–	Inactive/Hong Kong	Limited liability
江西吉銀實業有限公司	The PRC	Registered capital US$99,800,000	100%	100%	Processing and wholesale of precious metal products/ The PRC	Wholly foreign owned
國融通寶 (深圳) 融資租賃有限公司	The PRC	Registered capital RMB200,000	100%	100%	Inactive/The PRC	Limited liability
深圳金縱橫軟件開發有限公司	The PRC	Registered capital RMB1,000,000	100%	100%	Software development/ The PRC	Limited liability
深圳國金通寶有限公司 Shenzhen Guojin Tongbao (for identification purpose)	The PRC	Registered capital RMB50,000,000^	100%	100%	Investment holding#/ The PRC	Limited liability

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company 2021	2020	Principal activities/ place of operations	Form of company
深圳國銀通寶有限公司 Shenzhen Gooyintongbao (for identification purpose)	The PRC	Registered capital RMB500,000,000	100%	100%	Online and offline sales of jewellery products and operation of self-owned stores/The PRC	Wholly foreign owned
景寧畲银文化有限公司	The PRC	Registered capital RMB10,000,000^	100%	100%	Planning of cultural events, design and sale of jewellery products/ The PRC	Limited liability
白銀小鎮(上海)文化產業有限公司	The PRC	Registered capital RMB100,000,000^	100%	100%	Online sales of jewellery products/The PRC	Limited liability
湖州白銀置業有限公司	The PRC	Registered capital RMB50,000,000^	100%	100%	Property development/ The PRC	Limited liability
浙江金貓銀貓珠寶首飾有限公司	The PRC	Registered capital RMB10,000,000^	100%	100%	Sales of jewellery products/The PRC	Limited liability

\# Not yet commence business

^ At 31 December 2021 and 2020, capital injection to the entity had not been made

\## Incorporated during the year ended 31 December 2021

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year.

39. EVENT AFTER THE REPORTING PERIOD

On 31 December 2021, Shenzhen Guojintongbao, Jiangsu Nongmuren Electronic Business Corp. ("**Target Company**"), existing shareholders and actual controller of Target Company, which are independent third parties of the Group, entered into an investment agreement, pursuant to which the Group shall obtain 51% effective ownership in the Target Company in consideration for the capital injection of RMB26,000,000 payable in cash to the Target Company in two installments.

The Target Company is a company incorporated in the PRC limited by shares. The Target Company is the developer and operator of the "農牧人" S2B2C platform and which provides branding and SaaS (software as a service) services to enterprises along the agricultural supply chain as well as small and medium-sized businesses in the PRC.

On 10 January 2022, Shenzhen Guojintongbao made the first installment of RMB6,000,000 to the Target Company. The second installment of RMB20,000,000 shall be paid on or before 31 May 2022. On 10 January 2022, all of the conditions precedent under the investment agreement have been fulfilled, and completion of the investment agreement has taken place accordingly. On 2 April 2022, a further capital injection of RMB3,000,000 out of second installment of RMB20,000,000 was made to the Target Company.

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries		**920,571**	922,481
Right-of-use assets		**722**	701
Amount due from a subsidiary		**110,514**	110,514
		1,031,807	1,033,696
CURRENT ASSETS			
Other receivables		**546**	378
Amount due from immediate holding company		**1,231**	536
Bank balances and cash		**191**	63
		1,968	977
CURRENT LIABILITIES			
Other payables and accruals		**8,292**	5,728
Lease liabilities – current portion		**744**	713
Amount due to a fellow subsidiary		**1,366**	1,469
Amount due to a subsidiary		**22,263**	13,946
		32,665	21,856
NET CURRENT LIABILITIES		**(30,697)**	(20,879)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,001,110**	1,012,817
CAPITAL AND RESERVES			
Share capital	28	**842**	842
Reserves	(i)	**1,000,224**	1,011,975
TOTAL EQUITY		**1,001,066**	1,012,817
NON-CURRENT LIABILITY			
Lease liabilities – non-current portion		**44**	–
TOTAL EQUITY AND NON-CURRENT LIABILITY		**1,001,110**	1,012,817

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Notes: (i) The movements in the reserves of the Company are as follows:

	Share premium RMB'000	Contribution reserve RMB'000	Accumulated losses RMB'000	Total reserves RMB'000
At 1 January 2020	858,158	323,370	(85,702)	1,095,826
Loss and total comprehensive expense for the year	–	–	(83,851)	(83,851)
At 31 December 2020	858,158	323,370	(169,553)	1,011,975
Loss and total comprehensive expense for the year	**–**	**–**	**(11,751)**	**(11,751)**
At 31 December 2021	**858,158**	**323,370**	**(181,304)**	**1,000,224**

FIVE YEARS' FINANCIAL SUMMARY

RESULTS

	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Revenue	3,519,581	2,497,849	1,248,988	347,768	**364,187**
Profit (loss) before tax	139,498	196,641	30,180	(30,830)	**8,374**
Income tax expense	(38,557)	(53,964)	(35,263)	(4,773)	**(8,303)**
Profit (loss) for the year	100,941	142,677	(5,083)	(35,603)	**71**
Attributable to					
– Owners of the Company	101,305	142,677	(5,083)	(35,603)	**71**
– Non-controlling interests	(364)	–	–	–	**–**
	100,941	142,677	(5,083)	(35,603)	**71**

ASSETS AND LIABILITIES

	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Total assets	905,285	1,528,133	1,596,381	1,579,282	**1,510,569**
Total liabilities	(559,094)	(308,098)	(163,760)	(182,264)	**(113,480)**
Total equity	346,191	1,220,035	1,432,621	1,397,018	**1,397,089**
Equity attributable to owners of the Company	346,191	1,220,035	1,432,621	1,397,018	**1,397,089**
Non-controlling interests	–	–	–	–	**–**
	346,191	1,220,035	1,432,621	1,397,018	**1,397,089**