中國白銀集團
CHINA SILVER GROUP

中國白銀集團有限公司
China Silver Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 815

ANNUAL REPORT 2021

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

CONTENTS

CORPORATE INFORMATION

Executive directors

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

Independent non-executive directors

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

Audit committee

Zeng Yilong (Chairman)
Song Hongbing
Li Haitao

Remuneration committee

Li Haitao (Chairman)
Chen Wantian
Song Hongbing

Nomination committee

Chen Wantian (Chairman)
Song Hongbing
Li Haitao

Company secretary

Chan Hon To (陳瀚濤), HKICPA FCCA

Authorised representatives

Chen Wantian
Chan Hon To

Cayman Islands share registrar and transfer office

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

Hong Kong share registrar

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

Registered office

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

Headquarters in the PRC

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

Principal place of business in Hong Kong

Unit 1416, China Merchants Tower
168-200 Connaught Road Central
Sheung Wan
Hong Kong

Company's website

www.chinasilver.hk

Place of listing and stock code

The Stock Exchange of Hong Kong Limited
815

Principal bankers

Bank of Ganzhou
Agricultural Bank of China

Auditor

Moore Stephens CPA Limited
Registered Public Interest Entity Auditors

Legal advisors

Hong Kong law:

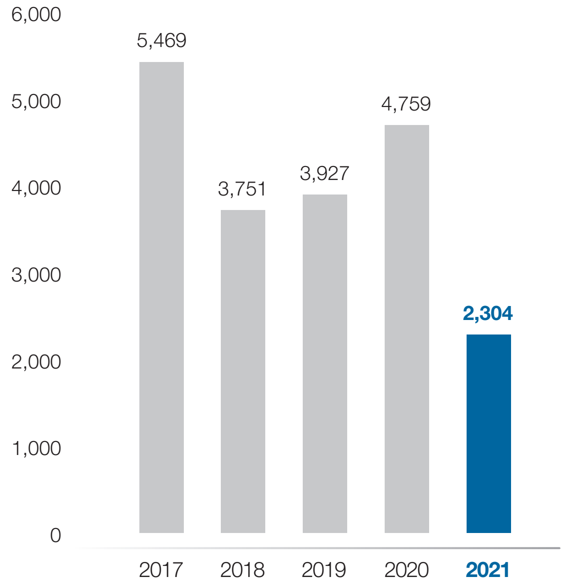
Sullivan & Cromwell (Hong Kong) LLP

Cayman Islands law:

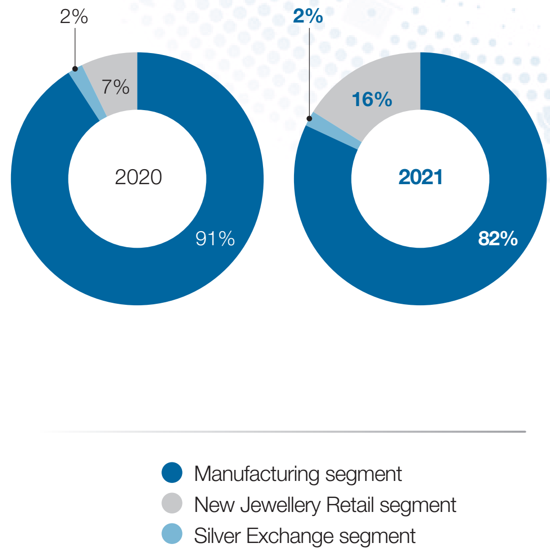
Conyers Dill & Pearman

FINANCIAL HIGHLIGHTS

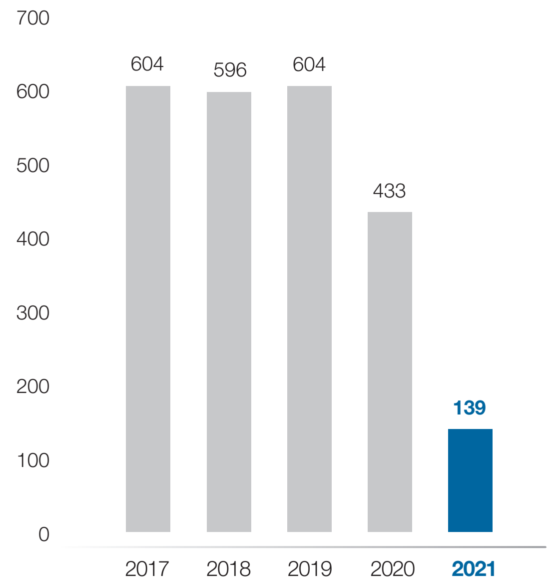
Revenue
(RMB million)



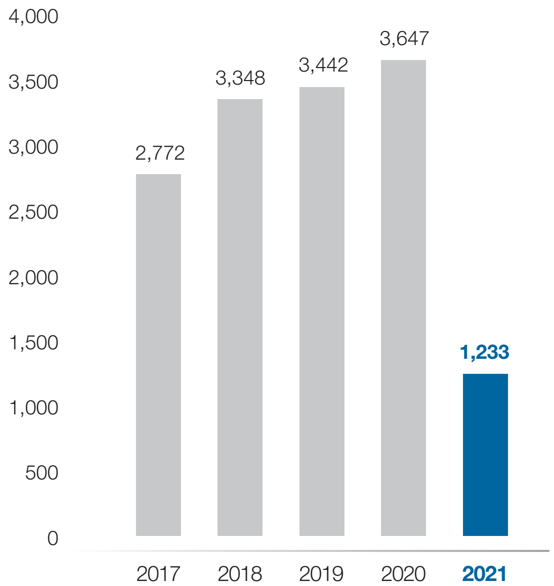
Segment Revenue
(%)



Gross Profit
(RMB million)



Net Assets
(RMB million)



OUR MILESTONES

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

2019

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

MAR 2018

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

MAR 2017

- Acquired Silver Exchange Business

2014

- Developed New Jewellery Retail Business

2012

- Listing in Hong Kong

2002

- Silver Manufacturing

SELECTED BRANDS AND PRODUCTS

CHAIRMAN'S STATEMENT

On behalf of China Silver Group Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**we**"), I am pleased to present the annual results of the Group 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

Despite the unstable global economy and the downturn of the Chinese economy due to multiple factors, the Group still strives to maintain business stability and seek breakthroughs in the existing market.

For the year ended 31 December 2021, as a leading fully-integrated silver and precious metals enterprise in the People's Republic of China (the "**PRC**"), the Group had three business segments, including (i) Manufacturing segment, i.e. manufacturing, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC; (ii) New Jewellery Retail segment operated under our subsidiary, CSMall Group Limited (Stock code: 1815) ("**CSMall Group**"), i.e. designing and online and offline integrated sales of gold, silver, colored gemstones, gem-set and other jewellery products in the PRC; and (iii) Silver Exchange segment, i.e. providing professional electronic platform and related services for trading of silver ingots in the PRC.

For the year ended 31 December 2021, the Group's Manufacturing segment generated sales of approximately RMB1,891.9 million (2020: RMB4,325.8 million), a significant decrease of approximately 56.3% over the last year, and recorded a segment loss of approximately RMB2,420.9 million (2020: segment profit of approximately RMB239.5 million). The segment loss for the year was mainly because between 23 April 2021 and 20 May 2021, the Ji'an City Yongfeng Ecology and Environment Bureau* (吉安市永豐生態環境局) (the "**Yongfeng Ecology and Environment Bureau**") issued the two administrative penalty notices and a rectification notices (collectively, the "**Notices**") to Jiangxi Longtianyong Nonferrous Metals Co. Ltd.* (江西龍天勇有色金屬有限公司) ("**Jiangxi Longtianyong**"), a major subsidiary under the Manufacturing segment of the Group. According to the Notices, between 22 April 2021 and 8 May 2021, the Central Ecological and Environmental Protection Inspection Group (中央生態環境保護督察組) and the Yongfeng Ecology and Environment Bureau inspected Jiangxi Longtianyong's premises and found that the production and storage facilities of Jiangxi Longtianyong had been in contravention of certain national environmental laws. As a result of the contraventions, the Yongfeng Ecology and Environment Bureau has ordered Jiangxi Longtianyong to suspend its production activities from 26 April 2021 onwards pending completion of certain rectification measures. These rectification measures included (i) the disposal of certain hazardous waste stored in production workshops and warehouses; and (ii) the demolition of non-compliant facilities and construction of compliant facilities. Therefore, the Manufacturing segment recorded a one-off write-off of inventories of approximately RMB2,408.5 million and loss on write-off and disposal of property, plant and equipment of approximately RMB10.6 million, which, together with a decrease in sales due to the suspension of production, resulted in a loss recorded by the Manufacturing segment in the current year.

Jiangxi Longtianyong has been closely communicating with the Yongfeng Ecology and Environment Bureau since the end of April 2021 with a view to reach an understanding on the rectification measures required to be implemented in order to restore Jiangxi Longtianyong’s production as soon as possible. In addition, Jiangxi Longtianyong has engaged an environmental specialist to provide recommendations on the appropriate rectification measures to address the Yongfeng Ecology and Environment Bureau’s concerns.

On 24 August 2021, the local environmental protection authority notified Jiangxi Longtianyong that, following the adoption of rectification measures by Jiangxi Longtianyong, such as the demolition of non-compliant facilities and construction of compliant facilities, the relevant authorities have approved in principle the resumption of production of Jiangxi Longtianyong’s silver electrolysis production line (the “**Resumption of Production Notice**”). Pursuant to the Resumption of Production Notice, after conducting environmental compliance assessment on the silver workshop, the relevant authorities were of the view that the pollution prevention and control measures of Jiangxi Longtianyong after rectification were in compliance with the relevant environmental requirements. The Resumption of Production Notice also requires Jiangxi Longtianyong to further enhance its pollution prevention and control facilities and strictly implement its environmental protection management system, with a view to ensure that the discharge of pollutants consistently meet the required targets.

As part of Jiangxi Longtianyong’s efforts to fully resume production activities, Jiangxi Longtianyong has been working to upgrade and enhance its production facilities for the clean production of tin and precious metals (including gold, silver and palladium) (the “**Project**”). The Project is subject to approvals by multiple governmental authorities. A consultation draft of the environmental impact report for the Project (the “**Report**”) has been made available for public inspection by the local government of Yongfeng County and no opposition has been received during the public inspection period. Following the completion of the public inspection period, the total pollutant emission levels calculated based on the Report and the emission standards adopted in the Report have been submitted to the relevant government authorities of Ji’an City and Jiangxi Province for review and approval. It is expected that if such authorities approve the emission levels and emission standards as stated in the Report, the Report will be further submitted to the Department of Ecology and Environment of Jiangxi Province for review, expert assessment and pre-approval public inspection. The Report may be subject to further revisions before it is formally approved by the relevant government authorities.

In parallel with the aforesaid environmental impact assessment process, Jiangxi Longtianyong has begun constructing some of the production facilities for the Project. It is expected that, following the approval of the Report and completion of such construction works, Jiangxi Longtianyong will carry out installation and testing of relevant equipment as well as trial run of the production facilities to ensure that they operate smoothly and are consistent with the emission levels and emission standards as approved by the relevant governmental authorities. Following such efforts, Jiangxi Longtianyong will apply for completion acceptance of the Project, after which the production facilities for the Project will be formally put into operation. The Company currently targets to fully resume production activities at Jiangxi Longtianyong in the second quarter of 2022.

Further details of the suspension of production and subsequent developments are set out in the announcements published on 7 June 2021, 25 August 2021 and 22 February 2022.

CHAIRMAN'S STATEMENT

Since 2014, we have diversified from the traditional Manufacturing segment to the downstream New Jewellery Retail segment which is now operated under CSMall Group. Apart from leveraging our strength and resources in the upstream business, CSMall Group has optimized its sales and marketing strategies since 2018 and gradually shifted its focus to high-margin silver jewellery products. For the year ended 31 December 2021, external sales of New Jewellery Retail segment operated by CSMall Group amounted to approximately RMB364.0 million, representing approximately 15.8% of the Group's total revenue (2020: 7.3%), and the segment profit was approximately RMB9.8 million (2020: RMB9.6 million), representing a slight increase of approximately 2.8% over the last year, mainly due to the combined effect of (i) the net reversal of impairment loss recognised in respect of trade receivables of approximately RMB8.7 million during the year (2020: net provision for impairment loss recognised in respect of trade receivables of approximately RMB11.1 million); and (ii) the decrease of administrative expenses by approximately 24.9% as compared to that for 2020 resulting from the suspension of the self-operated online platform and the decrease of staff costs during the year, as largely offset by the increase in cost of sales from the sales of gold products with relatively lower gross profit margin during the year. It should be noted that although during the year ended 31 December 2020, the one-off net loss on termination of assignment contract in relation to acquisition of a land use right (for details, please refer to the section headed "Net loss on termination of assignment contract in relation to acquisition of a land use right" below) was recorded under the CSMall Group, the net loss was regarded as a non-segment item and had no impact on the segment profit of the New Jewellery Retail segment for the year ended 31 December 2020. As the novel coronavirus ("**COVID-19**") in the PRC entered a period of normalised prevention and control in the current year and the large-scale vaccination was also underway, the impact of the COVID-19 would gradually fade, and the CSMall Group also implemented a number of measures to deal with the crisis, including slowing down the plan on expansion of offline stores, adjusting the strategy of offline business outlets, reducing staff and improving efficiency, etc., resulting in a steady development of the New Jewellery Retail segment of the Group.

In 2016, the Group further expanded the downstream business by acquiring Shanghai Huatong Silver Exchange Company Limited*（上海華通鉑銀交易市場有限公司）("**Shanghai Huatong**"), an operator of an integrated silver exchange platform in the PRC. For the year ended 31 December 2021, the Silver Exchange segment operated by Shanghai Huatong recorded a segment profit of approximately RMB31.0 million (2020: RMB70.4 million), representing a decrease of approximately 55.9% over the last year, mainly because the international silver price was relatively stable in the current year, which reduced investors' willingness to trade, resulting in a decrease in trading volume.

The Group recorded gross profit of approximately RMB138.9 million (2020: RMB433.2 million) for the year ended 31 December 2021, representing a significant decrease of approximately 67.9% as compared to that for 2020, mainly due to a significant decrease in gross profit of the Manufacturing segment due to the suspension of production. The overall gross profit margin of the Group decreased from approximately 9.1% for the year ended 31 December 2020 to approximately 6.0% for the year ended 31 December 2021, mainly because the Manufacturing segment concentrated on the silver trading business with lower gross profit margin after the suspension of production, resulting in a decrease in gross profit margin of the Manufacturing segment, and the sales of gold products with relatively lower gross profit margin increased in the New Jewellery Retail segment operated by the CSMall Group during the year.

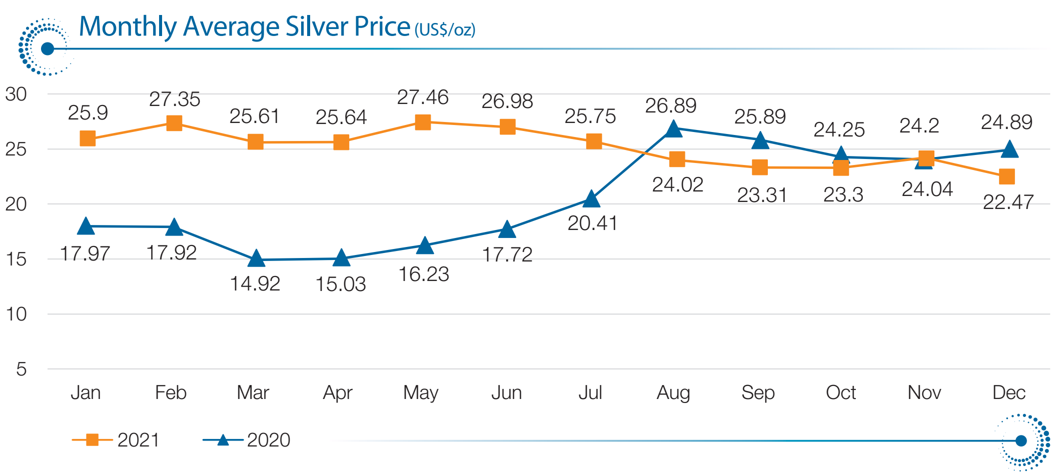
For the year ended 31 December 2021, the Group recorded loss attributable to owners of the Company of approximately RMB2,412.9 million (2020: profit of approximately RMB227.5 million). Such turnaround from profit to loss is mainly attributable to the combined effects of (i) the one-off write-off of inventories of approximately RMB2,408.5 million recorded by the Manufacturing segment; (ii) the loss on write-off and disposal of property, plant and equipment of approximately RMB10.6 million recorded by the Manufacturing segment; (iii) a substantial decrease in segment revenue and gross profit of the Manufacturing segment due to the suspension of production; and (iv) less sales recorded by the Silver Exchange segment in the current year due to stable prices in the international silver market; far more than offsetting (i) the net reversal of impairment loss recognised in respect of trade receivables of approximately RMB9.0 million (2020: net provision for impairment loss recognised in respect of trade receivables of approximately RMB10.5 million); (ii) the absence in this year of the net loss on termination of assignment contract in relation to acquisition of a land use right recorded in last year; and (iii) the absence in this year of the loss 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 recorded in last year.

Manufacturing segment

As Jiangxi Longtianyong suspended its production activities since 26 April 2021, the output of the Manufacturing segment decreased significantly this year, and the Group's sales in the Manufacturing segment decreased by approximately 56.3% to approximately RMB1,891.9 million for the year ended 31 December 2021 (2020: RMB4,325.8 million). With regards to the suspension of production, the Group will continue to communicate closely with the competent government authorities to fully resume its production activities as soon as possible.

Sales of silver ingot increased from approximately RMB286.9 million for the year ended 31 December 2020 to approximately RMB308.3 million for the year ended 31 December 2021, representing an increase of approximately 7.5%, mainly due to the focus on silver trading business in the second half of the year and the increase in market price of silver.

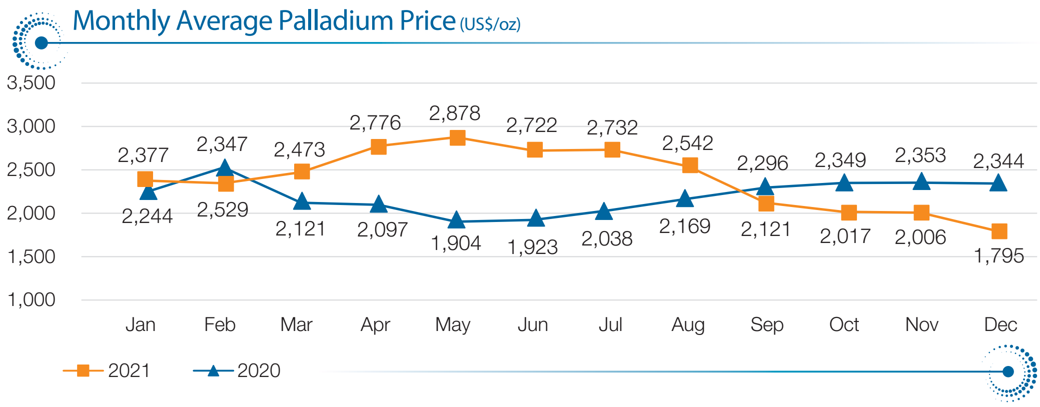
The graph below shows the change in international silver price quoted on the London Bullion Market Association from January 2020 to December 2021:



Source: The London Bullion Market Association

CHAIRMAN'S STATEMENT

Due to the decrease in palladium production this year, for the year ended 31 December 2021, we sold approximately 2.9 tons (2020: 7.8 tons) of palladium to customers, and palladium sales decreased significantly by approximately 60.2% from approximately RMB3,636.4 million for the year ended 31 December 2020 to approximately RMB1,448.1 million for the year ended 31 December 2021. Palladium is extracted from three major raw materials, including smelting slag (熔煉渣), smoke dust (煙塵灰) and sludge from wet smelting (濕法泥), purchased from our existing suppliers. The price of the raw materials is determined mainly based on the content of silver and palladium and their unit market price, and the production process is carried out twice or three times a month. Our customers for palladium are mainly trading companies and their end customers are usually large-scale enterprises. The graph below shows the change in international palladium price quoted on the London Bullion Market Association from January 2020 to December 2021:



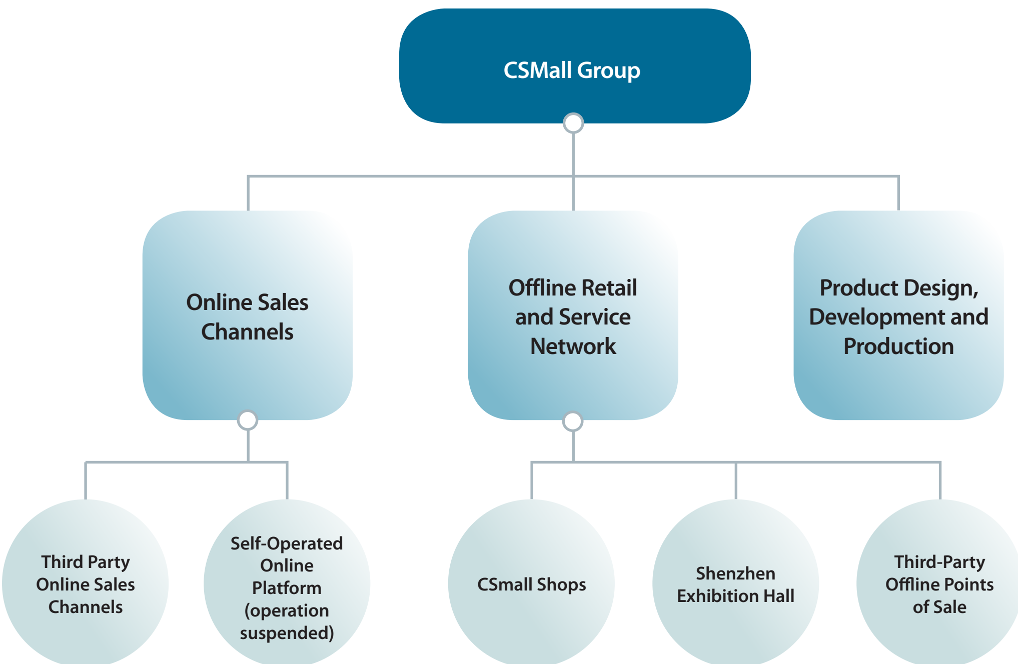
Source: The London Bullion Market Association

New Jewellery Retail segment operated under CSMall Group (Stock code: 1815)

For the year ended 31 December 2021, the New Jewellery Retail segment recorded sales of approximately RMB364.0 million (2020: RMB347.8 million), representing an year-on-year increase of approximately 4.7%.

As the COVID-19 in the PRC has entered a period of normalised prevention and control in the current year and the large-scale vaccination is also underway, the impact of COVID-19 would gradually fade. In light of the significant impact of COVID-19 on jewellery retail consumption throughout the last year, the CSMall Group also implemented a number of measures to deal with the crisis in the current year, including slowing down the plan on expansion of offline stores, adjusting the strategy of offline business outlets, closing 86 stores, and carefully choosing sites for opening another 26 new stores. The CSMall Group also reduced its number of staff to increase efficiency and cut down its administrative expenses by approximately 24.9% in the current year; and greatly reduced operation and promotion through its self-operated online platform and instead relied on third-party online sales channels.

CSMall Group's business model incorporates four critical elements which complement each other, comprising (i) a comprehensive e-commerce platform, (ii) easily accessible offline retail and service network, (iii) data mining and utilisation capabilities, and (iv) innovative crossover sales and marketing initiatives.

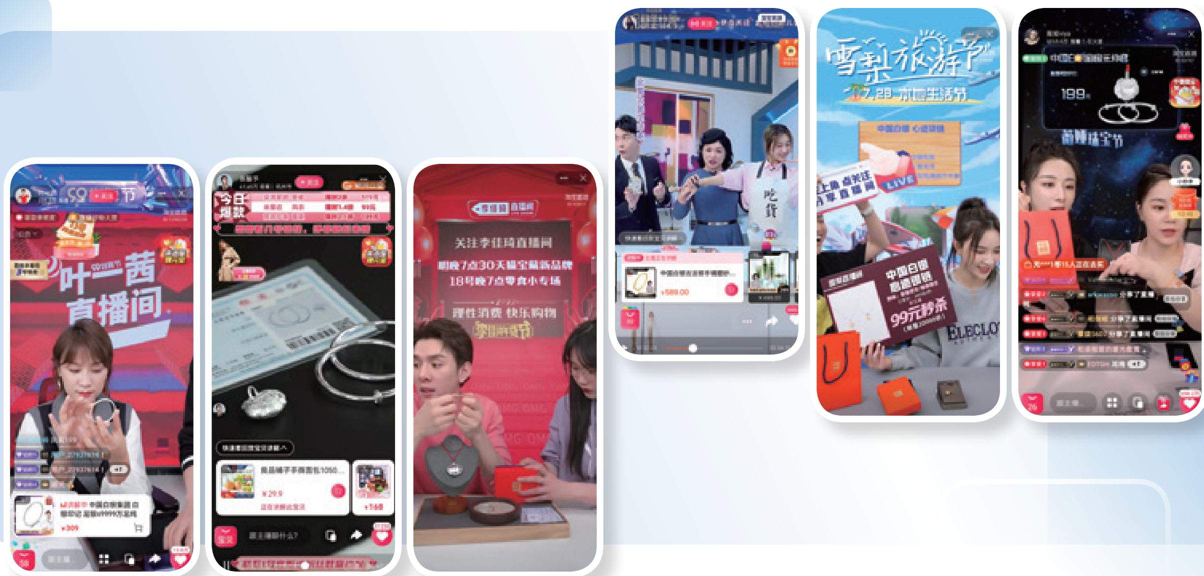


Online Sales Channels

(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 of gold, silver and jewellery category of all top television channels, which enabled us to achieve satisfactory sales performance. With a daily coverage of over 100 million home viewers in the PRC, our brand awareness among Chinese viewers of television and video shopping channels was enhanced substantially.

Short-video and KOL promotion had 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 anchors and celebrities including Li Jiaqi (李佳琪), Xue Li (雪梨), Wei Ya (薇婭), and Jin Xing (金星), to increase more brand exposure and sales.



(ii) Self-operated online platform

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

Offline Retail and Service Network

(i) CSmall Shops

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

Shops Distribution	Total: 38
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

(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 our franchisees.

(iii) Third-party offline points of sale

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

Silver Exchange segment

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

For the year ended 31 December 2021, the Silver Exchange segment recorded sales of approximately RMB47.6 million (2020: RMB85.7 million), representing a significant year-on-year decrease of approximately 44.5%, mainly because the silver price was relatively stable in the current year, which reduced investors' willingness to trade, resulting in a decrease in trading volume.

PROSPECTS

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

In addition, while pursuing business performance, the Group will emphasise business sustainability and strive to maintain higher standards of business practices in respect of environmental protection, especially against the backdrop of the strict enforcement of the Central Ecological and Environmental Protection Inspection Group, which indeed has greatly raised the industry's entry barriers in terms of environmental protection. As explained above, the Company currently targets to fully resume production activities at Jiangxi Longtianyong in the second quarter of 2022.

During the year, the offline store expansion plan of the New Jewellery Retail segment was also slowed down due to the uncertainty of the ongoing epidemic. Therefore, the Group's New Jewellery Retail segment placed its main resources and efforts on online sales and continued 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. And it will continue to rely on social big data to realize the digital transformation of business marketing scenarios including consumer insight, market positioning and placement optimization. In the future, the Group's New Jewellery Retail segment will also regard ruby sales as a new growth driver for the Group'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.

The Group also explores and considers suitable business opportunities outside the jewellery industry from time to time to diversify its business risks. On 31 December 2021, the Group entered into an investment agreement through its subsidiary CSMall Group 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, CSMall 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 modernizing and empowering another traditional industry, namely the PRC agricultural industry. The agricultural products industry is different from the non-essential jewellery industry and can help diversify business risks, thereby enhancing the Group's risk resilience and profitability. Further details of the transaction are set out in the joint announcements dated 31 December 2021 and 10 January 2022.

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

Chen Wantian
Chairman

Hong Kong, 13 May 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 RMB2,303.5 million (2020: RMB4,759.3 million), representing a significant decrease of approximately 51.6% from that of 2020.

	2021		2020	
	Revenue RMB'000	**% of revenue**	Revenue RMB'000	% of revenue
Manufacturing segment				
Sales of silver ingot	**308,327**	**13.4%**	286,907	6.0%
Sales of palladium	**1,448,111**	**62.9%**	3,636,368	76.4%
Sales of other metal by-products	**135,507**	**5.9%**	402,538	8.5%
	1,891,945	**82.2%**	4,325,813	90.9%
New Jewellery Retail segment operated under CSMall Group				
Sales of gold, silver, colored gemstones, gem-set and other jewellery products	**364,022**	**15.8%**	347,768	7.3%
Silver Exchange segment				
Commission income	**47,556**	**2.0%**	85,749	1.8%
Total	**2,303,523**	**100.0%**	4,759,330	100.0%

Manufacturing segment

Sales of silver ingot increased from approximately RMB286.9 million for the year ended 31 December 2020 to approximately RMB308.3 million for the year ended 31 December 2021, representing an increase of approximately 7.5% from that of 2020. The increase was mainly due to increase in sales volume of silver ingot from approximately 62 tonnes in 2020 to approximately 66 tonnes in 2021.

Due to the decrease in palladium output, the Group recorded palladium sales of approximately RMB1,448.1 million for the year ended 31 December 2021 (2020: RMB3,636.4 million), representing a significant decrease of approximately 60.2% over the last year. For the year ended 31 December 2021, the Group's sales of palladium to customers was approximately 2.9 tonnes (2020: 7.8 tonnes).

Other metal products such as lead ingot, zinc oxide, bismuth ingot and antimony ingot are produced during the production of silver ingot and palladium. Sales of other metal products decreased significantly to approximately RMB135.5 million for the year ended 31 December 2021 (2020: RMB402.5 million).

As Jiangxi Longtianyong has suspended its production activities since 26 April 2021 (please refer to the section headed "CHAIRMAN'S STATEMENT" for details), the sales of the Group's Manufacturing segment decreased significantly by approximately 56.3% from approximately RMB4,325.8 million for the year ended 31 December 2020 to approximately RMB1,891.9 million for the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

New Jewellery Retail segment operated under CSMall Group

For the year ended 31 December 2021, the New Jewellery Retail segment recorded sales of approximately RMB364.0 million (2020: RMB347.8 million), representing an increase of approximately 4.7% as compared to that of 2020, mainly because as the COVID-19 in the PRC entered a period of normalized prevention and control in the current year and the large-scale vaccination was also underway, the impact of the COVID-19 would gradually fade.

Silver Exchange segment

For the year ended 31 December 2021, the Silver Exchange segment recorded sales of approximately RMB47.6 million (2020: RMB85.7 million), representing a significant decrease of approximately 44.5% over the last year. The decrease was mainly because the international silver price was relatively stable in the current year, which reduced investors' willingness to trade, resulting in a decrease in trading volume.

Cost of sales and services provided

Manufacturing segment

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

New Jewellery Retail segment operated under CSMall Group

Cost of sales mainly represents cost of materials used for the production of gold, silver and jewellery products. Except for silver, other materials like gold, amber and diamond are sourced from independent third parties. The amount increased mainly because of the increase in segment sales and increase in sales of gold products with relatively lower gross profit margin during the year.

Silver Exchange segment

Cost of sales and services provided mainly represents cost of materials and direct expenses incurred for trading of silver and the operation of the online exchange platform. The amount was approximately equal to that for the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The Group recorded gross profit of approximately RMB138.9 million (2020: RMB433.2 million) for the year ended 31 December 2021, a significant decrease of approximately 67.9% as compared to that of 2020, mainly due to the gross profit of the Manufacturing segment decreased significantly by approximately 88.0% as a result of the suspension of production. The Manufacturing segment concentrated on the silver trading business with lower gross profit margin after the suspension, resulting in a decrease in gross profit margin of the Manufacturing segment, as well as the sales of gold products with relatively lower gross profit margin increased in the New Jewellery Retail segment operated by the CSMall Group during the year, resulting in the decrease in the overall gross profit margin of the Group to approximately 6.0% for the year (2020: 9.1%).

Selling and distribution expenses

Selling and distribution expenses increased by approximately 7.4% from approximately RMB28.3 million for the year ended 31 December 2020 to approximately RMB30.4 million for the year ended 31 December 2021. This was mainly due to the increase in restoration expenses arising from shutdown of stores and sales commission of the third-party online sales channels of the New Jewellery Retail segment operated under the CSMall Group.

Administrative expenses

Administrative expenses increased slightly by approximately 3.3% from approximately RMB96.6 million for the year ended 31 December 2020 to approximately RMB99.8 million for the year ended 31 December 2021. The increase was primarily attributable to the reclassification of indirect production costs to administrative expenses in the Manufacturing segment due to the suspension of production, which was partially offset by the decrease in staff costs due to the reduction in the number of staff and increase in efficiency of the New Jewellery Retail segment operated under the CSMall Group.

Write-off of inventories

Between 23 April and 20 May 2021, the Yongfeng Ecology and Environment Bureau issued the Notices to Jiangxi Longtianyong. Pursuant to the Notices, the Yongfeng Ecology and Environment Bureau inspected Jiangxi Longtianyong's premises and found that the production and storage facilities of Jiangxi Longtianyong had been in contravention of certain national environmental laws and has ordered Jiangxi Longtianyong to suspend its production activities from 26 April 2021 onwards pending completion of certain rectification measures. These rectification measures included (i) the disposal of certain hazardous waste stored in production workshops and warehouses; and (ii) the demolition of certain existing non-compliant facilities and construction of certain new compliant facilities according to the recommendations of the environmental specialist and with the approval of the competent governmental authorities. Further details are set out in the announcement published on 7 June 2021.

In regard to the rectification measure of disposal of hazardous waste stored in production workshops and warehouses, certain of Jiangxi Longtianyong's inventory of raw materials which had previously been refined for production purposes was deemed to be hazardous waste pursuant to the Notices and was ordered to be disposed of. Accordingly, a one-off write-off of inventories of approximately RMB2,408.5 million was recorded for the year ended 31 December 2021 (2020: nil).

Other gains and losses

Other gains and losses increased to approximately RMB11.1 million for the year ended 31 December 2021 from approximately RMB9.7 million for the year ended 31 December 2020. Other gains and losses for the year mainly include loss on write-off and disposal of property, plant and equipment of approximately RMB12.0 million (2020: nil). The loss on write-off and disposal of property, plant and equipment includes the loss on write-off and disposal of property, plant and equipment of approximately RMB10.6 million during the year ended 31 December 2021, resulting from the Group's demolition of non-compliant facilities of Jiangxi Longtianyong in accordance with the competent governmental authorities' requirements amounting to approximately RMB7.6 million, and the Group's enhancement of production processes and replacement of dilapidated equipment amounting to approximately RMB3.0 million.

For the year ended 31 December 2020, other gains and losses included the trading expenses of approximately RMB3.6 million 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 and the one-off net loss of approximately RMB12.5 million on inventory write-off. Such pilot expansion recorded trading income of approximately RMB2.7 million and net exchange gain of approximately RMB3.0 million.

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 CSMall Group, entered into a termination agreement and a compensation agreement to terminate the acquisition of the land use right over a piece of land located in Huzhou, the PRC (please refer to the section headed "Significant Investment Held, Material Acquisition and Disposal" below for details). In accordance with the terms of the agreements, Huzhou South Taihu New District Management Committee* (湖州市南太湖新區管理委員會) (the "**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 during the last year. There was no such related loss for the year ended 31 December 2021.

Income tax credit (expense)

The income tax expense for the year ended 31 December 2020 amounted to approximately RMB47.4 million as compared to the income tax credit of approximately RMB6,000 for the year ended 31 December 2021. Such turnaround is mainly because there was a taxable loss recorded in the current year, and also because Shanghai Huatong was recognised as a High and New Technology Enterprise during the year, such that it was entitled to a concessionary tax rate of 15% since last year, resulting in reversal of overprovision in respect of prior years being made during the year.

(Loss) profit attributable to owners of the Company

For the year ended 31 December 2021, the loss attributable to owners of the Company amounted to approximately RMB2,412.9 million (2020: profit of approximately RMB227.5 million). Such turnaround from profit to loss is mainly attributable to the combined effects of (i) the one-off write-off of inventories of approximately RMB2,408.5 million recorded by the Manufacturing segment; (ii) the loss on write-off and disposal of property, plant and equipment of approximately RMB10.6 million recorded by the Manufacturing segment; (iii) a substantial decrease in segment revenue and gross profit of the Manufacturing segment due to the suspension of production; and (iv) less sales recorded by the Silver Exchange segment in the current year due to stable prices in the international silver market; far more than offsetting (i) the net reversal of impairment loss recognised in respect of trade receivables of approximately RMB9.0 million in the current year (2020: net provision for impairment loss recognised in respect of trade receivables of approximately RMB10.5 million); (ii) the absence in this year of the net loss on termination of assignment contract in relation to acquisition of a land use right recorded in last year; and (iii) the absence in this year of the loss 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 recorded in last year.

Inventories, trade receivables and trade payables turnover cycle

The Group's inventories mainly comprise silver bars, colored gemstones, jewellery products and gold bars. For the year ended 31 December 2021, inventory turnover days increased to approximately 306.2 days (2020: 206.0 days), mainly due to a decrease in sales in the current year, resulting in slow turnover of inventories.

The turnover days for trade receivables for the year ended 31 December 2021 were approximately 9.4 days (2020: 17.6 days), mainly due to a decrease in sales at the end of the year, resulting in a decrease in trade receivables for the current year.

The turnover days for trade payables for the year ended 31 December 2021 were approximately 13.8 days (2020: 8.9 days), mainly due to the Group's slowing down of payment process towards the year end.

Borrowings

As of 31 December 2021, the Group's bank borrowings balance amounted to approximately RMB230.0 million, which was carried at fixed interest rate (2020: RMB205.0 million, of which approximately RMB202.0 million was carried at fixed interest rate and approximately RMB3.0 million was carried at floating interest rate). The amounts would be due for repayment within one year.

As at 31 December 2021, the Group had no trade loans (2020: RMB10.0 million carried at fixed rate and due for repayment within one year).

The Group's net gearing ratio was calculated on the basis of the bank borrowings less bank balances and cash (2020: total bank borrowings and 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 -7.0% (2020: -26.8%).

Capital expenditures

For the year ended 31 December 2021, the Group invested approximately RMB28.7 million in property, plant and equipment (2020: RMB22.0 million).

For the year ended 31 December 2021, the Group paid deposits and other direct costs of approximately RMB1.3 million in relation to the acquisition of property, plant and equipment (2020: RMB19.7 million for deposits and other direct costs for acquisition of intangible assets and property, plant and equipment).

Pledge of assets

As at 31 December 2021, assets with the following carrying amounts were pledged to secure general banking facilities.

	2021 **RMB'000**	2020 RMB'000
– Property, plant and equipment	**67,415**	82,440
– Leasehold land (included in right-of-use assets)	**16,326**	–
– Pledged bank deposits	**40,000**	47,008
– Inventories	**–**	270,859
– Trade receivables	**–**	75,000
– VAT rebate receivable	**–**	41,822
	123,741	517,129

Capital commitments

	2021 RMB'000	2020 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– Property, plant and equipment	**9,099**	15,307

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 289 staff members (2020: 914 staff members) and the total remuneration for the year ended 31 December 2021 amounted to approximately RMB43.8 million (2020: RMB55.2 million). The decrease was mainly due to the decrease in the number of staff in the current year. 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 and bank borrowings. The Group's principal financial instruments comprise bank balances and cash, restricted bank balances, trade and other receivables, trade, bills and other payables and bank borrowings. As of 31 December 2021, bank balances and cash, net current assets and total assets less current liabilities were approximately RMB316.8 million (2020: RMB1,193.0 million), RMB980.3 million (2020: RMB3,364.4 million) and RMB1,261.4 million (2020: RMB3,682.1 million), respectively. As of 31 December 2021, the Group had bank borrowings amounting to approximately RMB230.0 million (2020: bank borrowings of RMB205.0 million and trade loans of 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 under CSMall 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 under CSMall Group.

Up to 31 December 2020, the Group paid an aggregate amount of approximately RMB232.5 million of deposits and other direct costs of approximately RMB26.7 million in relation to the Acquisition. Deposits of approximately RMB245.6 million were received by the Group during the year ended 31 December 2020 and a refundable amount of approximately RMB25.3 million was accounted as other receivables at 31 December 2020. Respective net loss on termination of assignment contract in relation to the Acquisition of approximately 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 CSMall Group and a non-wholly-owned subsidiary of the 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 CSMall Group. For further details of the transactions 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.

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 CSMall Group with 51% effective ownership, and is in turn also consolidated as a non-wholly-owned subsidiary of the Group.

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

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

Event after the Reporting Period

On 10 January 2022, Shenzhen Guojintongbao made the first installment of capital injection in an amount of RMB6,000,000 to the Target Company and all of the conditions precedent under the New Investment Agreement entered into by Shenzhen Guojintongbao had been fulfilled, and Completion had taken place accordingly. Immediately upon Completion, the Target Company is consolidated as a non-wholly-owned subsidiary of CSMall Group with 51% effective ownership, and is in turn also consolidated as a non-wholly-owned subsidiary of the 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.

In addition, on 23 February 2022, the Company conditionally agreed to allot and issue an aggregate of 325,680,117 subscription shares, representing approximately 20.0% of the issued share capital of the Company before the issuance, to three investors at the subscription price of HK$0.59 per subscription share. The gross proceeds to be received from the subscriptions amount to HK$192,151,269.03. After deducting all expenses payable by the Company in connection with the subscriptions (currently expected to be approximately HK$1,000,000), the net proceeds received from the subscriptions are expected to be approximately HK$191,151,269.03 which will be used for (i) the rectification works on the production and other facilities of Jiangxi Longtianyong; (ii) the procurement of raw materials after the full resumption of production activities at Jiangxi Longtianyong; (iii) the repayment of certain bank borrowing(s) of the Group; and (iv) general working capital of the Group. The subscriptions were completed on 7 April 2022. Further details of the subscriptions are set out in the announcements dated 23 February 2022, 29 March 2022 and 7 April 2022.

Additional Information regarding the Disclaimer of Audit Opinion

In connection with the independent auditor's disclaimer of opinion set forth in the section headed "INDEPENDENT AUDITOR'S REPORT" (the "**Disclaimer of Audit Opinion**"), the Company would like to provide shareholders and potential investors with additional information regarding the matters from which the Disclaimer of Audit Opinion has arisen, and the views of the Company's management (the "**Management**") and the Company's Audit Committee (the "**Audit Committee**").

In respect of "scope limitation on inability to obtain sufficient appropriate audit evidence concerning inventory write-off on the disposal dates"

As explained in the sections headed "NOTE 24 TO THE CONSOLIDATED FINANCIAL STATEMENTS", "CHAIRMAN'S STATEMENT" and "MANAGEMENT DISCUSSION AND ANALYSIS – FINANCIAL REVIEW – Write-off of inventories", certain of Jiangxi Longtianyong's inventory of raw materials which had previously been refined for production purposes was deemed to be hazardous waste and was ordered to be disposed of (the "**Inventory Disposal**"), and accordingly a one-off write-off of inventories of RMB2,408,511,000 was recorded for the year ended 31 December 2021.

The aforesaid inventory of raw materials was ordered by the relevant governmental authorities to be disposed of in a speedy manner. As explained in the Disclaimer of Audit Opinion, since the independent auditor did not observe the counting of physical inventories in the process of disposing of the relevant inventories, the independent auditor was unable to satisfy itself by alternative means concerning the inventory condition and inventory quantity being disposed of on relevant disposal dates and hence the independent auditor was unable to obtain sufficient appropriate audit evidence to substantiate the amount of the inventories being written off, and any adjustments that might have been found necessary might have significant consequential effect on the Group's financial performance and cash flows for the year ended 31 December 2021.

The Company would like to emphasize that (i) the Inventory Disposal was a one-off event; and (ii) the aforesaid write-off in the amount of RMB2,408,511,000 corresponded to the entirety of the carrying value of the inventories being disposed of as recorded in the Group's accounts prior to the Inventory Disposal. In other words, such write-off already represented the one-time and total reduction of the carrying value of the inventories concerned from RMB2,408,511,000 to zero.

On the basis of the above, the Management is of the view that there is no possibility of any further adverse adjustment to the effect of the Inventory Disposal on the Group's financial position.

As the Inventory Disposal took place during 2021 and its effect on the Group's financial position has been fully reflected in the Group's consolidated financial statements for the year ended 31 December 2021, the Management expects that the independent auditor's disclaimer relating to the Inventory Disposal will be removed in the independent auditor's report for the year ending 31 December 2022 except for the effect on the comparative figures for the year ended 31 December 2021.

The Audit Committee has reviewed and agreed with the Management's position set forth above.

In respect of "material uncertainties relating to going concern"

As explained in the section headed "NOTE 3 TO THE CONSOLIDATED FINANCIAL STATEMENTS", notwithstanding that the Group's consolidated financial statements for the year ended 31 December 2021 have been prepared on a going concern basis, there are conditions that indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, including (i) the suspension of production activities at Jiangxi Longtianyong; and (ii) the net current liability and net total liability position of the Group as of 31 December 2021 after excluding assets and liabilities attributable to CSMall Group.

As explained in the Disclaimer of Audit Opinion, the independent auditor was unable to obtain sufficient appropriate evidence from the Management for their underlying assumptions on going concern, including (i) the successful full resumption of the production activities in Jiangxi Longtianyong and successful generation of positive operating cash flow to the Group; (ii) the successful negotiations with the lender (the "**Relevant Lender**") for the renewal of or extension for repayment of outstanding borrowings of RMB150,000,000; and (iii) the successful obtaining of additional new sources of financing as and when needed, and hence the independent auditor was unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

The Company would like to emphasize that:

(i) As explained in the Company's announcement dated 22 February 2022 and in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" above, substantive progress has been made in the rectification of Jiangxi Longtianyong's production facilities, and the Company targets to fully resume production activities at Jiangxi Longtianyong in the second quarter of 2022;

(ii) With respect to the outstanding borrowings of RMB150,000,000 referred to in the Disclaimer of Audit Opinion, such borrowings will be due between June and December 2022, and Jiangxi Longtianyong has obtained the Relevant Lender's written assurance that, subject to the satisfaction of certain conditions before the end of 2023, the Relevant Lender will not demand Jiangxi Longtianyong to repay such borrowings before they become due and will allow Jiangxi Longtianyong to renew such borrowings when they become due; and

(iii) As explained in the sections headed "NOTE 3 TO THE CONSOLIDATED FINANCIAL STATEMENTS" and "MANAGEMENT DISCUSSION AND ANALYSIS – FINANCIAL REVIEW – Event after the Reporting Period", the Company received net proceeds of approximately HK$191,151,000 or RMB155,108,000 from three investors' subscriptions for new shares of the Company which were completed on 7 April 2022, thereby replenishing the Group's working capital.

On the basis of the above, the Management is of the view that there is no significant doubt on the Group's ability to continue as a going concern, and hence it is appropriate to prepare the Group's consolidated financial statements for the year ended 31 December 2021 on a going concern basis.

Based on the expectation that Jiangxi Longtianyong's production activities could be successfully resumed and could generate positive operating cash flow to the Group and that the outstanding borrowings of RMB150,000,000 could be successfully renewed or extended upon the respective maturities in accordance with the Relevant Lender's written assurance, the Management expects that the independent auditor's disclaimer relating to going concern will be removed in the independent auditor's report for the year ending 31 December 2022.

The Audit Committee has reviewed and agreed with the Management's position set forth above.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 24 June 2022 to Wednesday, 29 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, 29 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, 23 June 2022 for registration of transfer.

* *For identification purpose only*

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Wantian (陳萬天), aged 48, is the chairman and an executive Director of the Company. He is a co-founder of the Group and was appointed to the Board on 19 July 2012. Mr. Chen Wantian has over ten years of experience in the non-ferrous metal mining and processing industry. Since May 2002, Mr. Chen Wantian has served as director and deputy general manager of Jiangxi Longtianyong Nonferrous Metals Co., Ltd. (江西龍天勇有色金屬有限公司). He is responsible for the overall corporate strategies, management, planning and business development of the Group.

As at 31 December 2021, Mr. Chen Wantian had an interest in the shares of the Company and of CSMall Group, the details of which are set out in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Report of the Directors contained in this annual report.

Mr. Song Guosheng (宋國生), aged 59, is the vice president and an executive Director of the Company. Mr. Song Guosheng joined the Group in 2002 and was appointed to the Board on 16 August 2012. Mr. Song Guosheng has approximately 20 years of experience in the production management in the non-ferrous metallurgical industry. He is responsible for production management of the Group.

Mr. Song Guosheng graduated from Suzhou University of Science and Technology Trade Unions (蘇州職工科技大學) in July 2004 with a diploma of business management.

As at 31 December 2021, Mr. Song Guosheng had an interest in the shares of the Company, the details of which are set out in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Report of the Directors contained in this annual report.

Mr. Liu Jiandong (柳建東), aged 50, was appointed as an executive Director on 17 June 2019. He has served as the chairman of Zhejiang Guoyin Cornerstone Investment Co., Ltd. (浙江國銀基石投資有限公司), an investment firm based in Jingning She Autonomous County, Lishui City, Zhejiang Province, the PRC since May 2017. Prior to that, he worked at various companies in the PRC commerce and industry sector for over two decades, such as being an executive director of Hangzhou Runshi Technology Co., Ltd. (杭州潤石科技有限公司) from September 2015 to May 2017, and the chief executive of Zhejiang Lishi Industrial Co., Ltd. (浙江力石實業有限公司) from November 2009 to September 2015. He received a junior college degree (專科學歷) in business administration from the School of Modern Distance Education of Beihang University (北京航空航天大學現代遠程教育學院), the PRC in July 2014.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Song Hongbing (宋鴻兵), aged 53, was appointed as an independent non-executive Director on 28 December 2015. Mr. Song Hongbing is a well-known Chinese economist with focus on the areas of global financial history and international commodity market. Mr. Song Hongbing was elected by BusinessWeek as one of the 40 most influential persons in China.

Mr. Song Hongbing graduated from Northeastern University in 1990 with a bachelor's degree in engineering. He obtained a master's degree in education from American University in 1996.

Dr. Li Haitao (李海濤), aged 53, was appointed as an independent non-executive Director on 5 December 2012. Dr. Li Haitao has extensive research experience in the areas of hedging, derivatives and risk management. Dr. Li Haitao is currently appointed as Dean's Distinguished Chair Professor of Finance and Associate Dean of MBA Program at the Cheung Kong Graduate School of Business.

Dr. Li Haitao undertook the Ph.D program in geophysics at Yale University between 1991 and 1992. He received his Ph.D in finance from Yale University in 1998.

Dr. Zeng Yilong (曾一龍), aged 50, was appointed as an independent non-executive Director on 5 December 2012. Dr. Zeng Yilong has approximately 20 years of experience in accounting, auditing and financial management. Dr. Zeng Yilong is the partner of Oriental Fortune Capital Investment Management Co. Ltd. (東方富海投資管理股份有限公司), a reputable private equity fund management Company in the PRC.

Dr. Zeng Yilong obtained his master's degree in Business Administration and a doctoral degree in Business Administration (Accounting) from Xiamen University (廈門大學) in July 2000 and December 2006, respectively.

SENIOR MANAGEMENT

Mr. Chan Hon To (陳瀚濤), aged 45, was appointed as the chief financial officer (the "**CFO**") of the Company on 17 June 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 secretary. 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 of directors (the "**Board**", its member(s), the "**Director(s)**") comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2021, the Company has complied with the code provisions under the CG Code, except for the following deviation:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 throughout the year ended 31 December 2021.

BOARD OF DIRECTORS

(i) Board Composition

As at the date of this report, the Board comprised three Executive Directors and three Independent Non-Executive Directors as follows:

Executive Directors

Mr. Chen Wantian (Chairman and Chief Executive Officer)
Mr. Song Guosheng
Mr. Liu Jiandong

Independent Non-Executive Directors

Mr. Song Hongbing
Dr. Li Haitao
Dr. Zeng Yilong

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.

(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 8 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. During the year under review, the then company secretary of the Company had been responsible for ensuring the procedures of the board meetings are observed and keeping minutes for the board meetings which were sent to the Directors for records and are open for inspection at any reasonable time by any Director on reasonable notice.

(v) Attendance Record

The following is the attendance record of the Directors at board meetings and the annual general meeting of the Company during the year:

	Attendance at meetings	
	Board meeting	Annual general meeting
Executive Director		
Mr. Chen Wantian (Chairman)	8/8	1/1
Mr. Song Guosheng	8/8	0/1
Mr. Liu Jiandong	8/8	0/1
Independent Non-executive Directors		
Mr. Song Hongbing	8/8	0/1
Dr. Li Haitao	8/8	0/1
Dr. Zeng Yilong	8/8	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 as at the date of this report. 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 a term of three years, 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. Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years, 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 the 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 for the year ended 31 December 2021 to the Company.

AUDIT COMMITTEE

The Board established an audit committee (the "**Audit Committee**") on 5 December 2012 with written terms of reference in compliance with the CG Code. Under Rule 3.21 of the Listing Rules, a majority of the members of the Audit Committee should be independent non-executive directors and the Audit Committee should be chaired by an independent non-executive director. The Audit Committee comprises all three independent non-executive Directors, namely, Dr. Zeng Yilong (Chairman), Mr. Song Hongbing and Dr. Li Haitao. The terms of reference of the Audit Committee were revised and adopted on 30 December 2015 to include additional responsibility in relation to the risk management system arising from the Stock Exchange's proposal on the risk management and internal control under the Code applicable to all listed companies with accounting periods beginning on or after 1 January 2016. 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 2 meetings. The members of Audit Committee reviewed and discussed with the external auditors 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. 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 auditors 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 auditors, the audit fee, and any question of resignation or dismissal.
- To discuss with the external auditors the nature and scope of the audit.
- To review and monitor the external auditors' 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 auditors, 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 auditors may wish to discuss.
- To review the external auditors' 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
Dr. Zeng Yilong (Chairman)	2/2
Mr. Song Hongbing	2/2
Dr. Li Haitao	2/2

During the year ended 31 December 2021, the Audit Committee and senior management also met the external auditors 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	2,230,000
Non-audit services	
– Interim results review	382,000
– Others (including announcements)	284,000

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.

As set forth in the sections headed "INDEPENDENT AUDITOR'S REPORT" and "NOTE 3 TO THE CONSOLIDATED FINANCIAL STATEMENTS", the Directors are aware that, notwithstanding that the Group's consolidated financial statements for the year ended 31 December 2021 have been prepared on a going concern basis, there are conditions that indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, including (i) the suspension of production activities at Jiangxi Longtianyong; and (ii) the net current liability and net total liability position of the Group as of 31 December 2021 after excluding assets and liabilities attributable to CSMall Group.

Notwithstanding the above, as set forth in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS – FINANCIAL REVIEW – Additional Information regarding the Disclaimer of Audit Opinion – In respect of 'material uncertainties relating to going concern'", both the management and the Audit Committee are of the view that there is no significant doubt on the Group's ability to continue as a going concern, and hence it is appropriate to prepare the Group's consolidated financial statements for the year ended 31 December 2021 on a going concern basis.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the section headed "INDEPENDENT AUDITOR'S REPORT – AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS".

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, Internal Audit Department has performed independent review of the adequacy and the 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.

For the year ended 31 December 2021, the Board and the Audit Committee considered that the risk management and internal control systems of the Group were adequate and effective.

NOMINATION COMMITTEE

The Board established the Nomination Committee on 5 December 2012 with written terms of reference in compliance with the CG Code. Under the code provision A.5.1 of the CG Code, a majority of the members of the nomination committee should be independent non-executive directors and the nomination committee should be chaired by the chairman of the Board or an independent non-executive director. The Nomination Committee comprises Mr. Chen Wantian (Chairman), Mr. Song Hongbing and Dr. Li Haitao, with the latter two being independent non-executive Directors.

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

In 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 1 meeting. The members of Nomination Committee reviewed and discussed the current structure, size and composition of the Board, the remuneration of the senior management and the independence of the independent non-executive Directors, as well as considered the qualifications of the retiring Directors standing for election at the annual general meeting. 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 Wantian (Chairman)	1/1
Mr. Song Hongbing	1/1
Dr. Li Haitao	1/1

REMUNERATION COMMITTEE

The Board established the Remuneration Committee on 5 December 2012 with written terms of reference in compliance with the CG Code. Under Rule 3.25 of the Listing Rules, a majority of the members of the remuneration committee should be independent non-executive directors and the remuneration committee should be chaired by an independent non-executive director. The Remuneration Committee comprises Dr. Li Haitao (Chairman), Mr. Chen Wantian and Mr. Song Hongbing in which Dr. Li Haitao and Mr. Song Hongbing are independent non-executive Directors.

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

During the year ended 31 December 2021, the Remuneration Committee held 1 meeting. The members of Remuneration Committee reviewed and made recommendations to the Board on the remuneration policies and the remuneration packages of the Directors and senior management of the Company as well as the performances of executive Directors during the year ended 31 December 2021.

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

	Attendance at meeting
Dr. Li Haitao (Chairman)	1/1
Mr. Chen Wantian	1/1
Mr. Song Hongbing	1/1

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 the 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

The Chairman of the Board held one meeting with the independent non-executive Directors without the presence of the other executive Directors on 29 March 2021 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

During the year ended 31 December 2021, Mr. Chan Hon To, the company secretary of the Company, undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

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 at Unit 1416, China Merchants Tower, 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 and deposited at the company secretary at the Company's principal place of business at Unit 1416, China Merchants Tower, 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 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 1416, 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.

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

There were no changes in the constitutional documents of the Company during the year ended 31 December 2021.

On behalf of the Board
Chen Wantian
Chairman

Hong Kong, 13 May 2022

REPORT OF THE DIRECTORS

The directors of our Company (the "**Directors**") are pleased to report the audited consolidated financial statements of our Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021.

REORGANISATION AND GLOBAL OFFERING

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 July 2012 under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation, as fully explained in the section of "History, Reorganization and Group Structure" in the prospectus of the Company dated 14 December 2012 (the "**Prospectus**") in connection with the proposed listing of the Company's shares (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the companies now comprising the Group. The Shares were listed on the Stock Exchange on 28 December 2012 (the "**Listing**").

Our Company carried out a spin-off and separate listing of its New Jewellery Retail business, which is owned and operated by CSMall Group Limited (stock code: 1815) (the "**CSMall Group**") and its subsidiaries, on the Main Board of the Stock Exchange. The shares of CSMall Group were listed on the Stock Exchange on 13 March 2018. As at the date of this report, our Company held approximately 40.39% interest in the issued share capital of CSMall Group.

PRINCIPAL ACTIVITIES

The principal activity of our Company is investment holding and the Group is principally engaged in three principal operating segments, including (i) the manufacturing, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC (the "**Manufacturing segment**"), (ii) the new jewellery retail segment operated under CSMall Group, being the designing and sale of gold, silver, colored gemstones, gem-set and other jewellery products in the PRC (the "**New Jewellery Retail segment**"), and (iii) the operation of Shanghai Huatong, a professional integrated silver exchange platform in the PRC (the "**Silver Exchange segment**").

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 6 to 16 and "Management Discussion and Analysis" on pages 17 to 28 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 comprise the Manufacturing segment, New Jewellery Retail segment and Silver Exchange segment. The Group is exposed to a variety of key risks including credit risk, interest risk, liquidity risk, operational risk, regulatory risk, policy risk 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. The Group generates dust, sulfur dioxide, wastewater and noise during the production process of silver and other non-ferrous metals. To minimise the impact of such production emission, the Group has installed equipment to process and dispose of industrial waste pursuant to the requirements under the relevant PRC laws and regulations. The management has also formulated environment management policy for the Group based on applicable environmental laws, regulations and standards and environmental facilities inspection policies. The environmental protection and work safety department is responsible for designing and reviewing the environmental protection management systems and 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, except for the matters relating to the two administrative penalty notices and a rectification notices issued by the Yongfeng Ecology and Environment Bureau to Jiangxi Longtianyong (for details, please refer to sections headed "CHAIRMAN'S STATEMENT" and "MANAGEMENT DISCUSSION AND ANALYSIS – FINANCIAL REVIEW – Write-off of inventories" as well as the Company's announcement dated 7 June 2021), 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.

(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 downstream manufacturers and traders of the Manufacturing segment and Silver Exchange segment, and consumers of the New Jewellery Retail segment. 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 and silver ingots suppliers of the Manufacturing segment and business partners of the New Jewellery Retail segment and Silver Exchange segment 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.

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 65 of this report.

The Board has resolved not to recommend payment of a final dividend for the years ended 31 December 2020 and 2021. 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 166 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 59.0% (2020: 62.0%) and 19.5% (2020: 28.8%) 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 77.7% (2020: 61.2%) and 19.7% (2020: 18.3%) 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 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 32 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year ended 31 December 2021 are set out in page 68 of this report.

As of 31 December 2021, the reserves of our Company available for distribution to shareholders amounted to RMB532,658,000 (2020: RMB955,135,000).

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 and bank borrowings of the Group as of 31 December 2021 are set out in note 28 and note 31 respectively to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Mr. Chen Wantian
Mr. Song Guosheng
Mr. Liu Jiandong

Independent Non-Executive Directors:

Mr. Song Hongbing
Dr. Li Haitao
Dr. Zeng Yilong

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 29 to 30 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 a term of three years. Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years. 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 holding 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 share option schemes as incentives for eligible employees, details of which are set out in the paragraph headed "Share Option Schemes" 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 14 to the consolidated financial statements.

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

As of 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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:

(i) Interests in Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares[1]	Approximate percentage of interest in our Company
Mr. Chen Wantian	Interest in controlled corporation/ Beneficial interest[2]	411,422,187	25.27%
Mr. Song Guosheng	Beneficial interest[3]	956,797	0.06%

Notes:

1. All interests are long positions.

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

3. Mr. Song Guosheng was granted share options to subscribe for 500,000 Shares, details of which are disclosed under the paragraph headed "Share Option Schemes" below. Further, Mr. Song Guosheng is the beneficial owner of 456,797 Shares.

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

Name of director	Capacity/Nature of interest	Number of shares[1]	Approximate percentage of interest in CSMall Group
Mr. Chen Wantian	Interest in controlled corporation/ Beneficial interest[2]	10,479,536	0.85%

Notes:

1. All interests are long positions.

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

Save as disclosed above, as at 31 December 2021, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, our Company was notified of the following substantial shareholders' interests and short positions in the Shares and underlying Shares, being interests of 5% or more.

Interests in Shares of the Company

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

Notes:

1. All interests are long positions.

2. Pandanus Associates Inc. is a general partner of Pandanus Partners L.P., which owns or controls approximately 37.01% of the voting rights in FIL Limited, which in turn is interested in 129,904,000 Shares through various wholly-owned subsidiaries.

Save as disclosed above, as 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

As disclosed in the Prospectus, each of Mr. Chen Wantian, Ms. Zhou Peizhen and Rich Union Enterprises Limited (the "**Controlling Shareholders**") has executed a deed of non-competition in favor of the Company (the "**Deed of Non-Competition**") through which they have jointly and severally undertaken to the Company not to, and will procure that none of their respective associates, (a) directly or indirectly engage, participate or hold any right or interest in or otherwise be involved in any business in competition with or likely to be in competition with our existing business activity or any principal business activity of any member of the Group or be in competition with us in any business activities which we may undertake in the future (the "**Restricted Business**") save for (i) the holding of not more than 5% shareholding interests (individually or any of the Controlling Shareholders with their associates collectively) in any listed company in Hong Kong; or (ii) the holding of shares in any listed company in Hong Kong where the Restricted Business conducted or engaged in by such company accounts for less than 10% of the relevant company's consolidated turnover or consolidated assets, or (iii) where the Controlling Shareholders are already, directly or indirectly, interested or invested in the operations of companies which are engaging in Restricted Business and details of which have been specifically disclosed in the Prospectus, or (b) take any direct or indirect action which constitutes an interference with or a disruption to our business activities including, but not limited to, solicitation of our customers, suppliers or staff.

To the best knowledge and belief of the Directors, the Deed of Non-Competition ceased to have any effect on Ms. Zhou Peizhen as she ceased to be a controlling shareholder (as defined under the Listing Rules) of the Company on 11 July 2014.

Each of Mr. Chen Wantian and Rich Union Enterprises Limited has provided a written confirmation to the Company confirming that he/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 each of Mr. Chen Wantian and Rich Union Enterprises Limited and confirmed that, as far as they can ascertain, each of Mr. Chen Wantian and Rich Union Enterprises Limited 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 are set out in note 36 to the consolidated financial statements. Those related party transactions did not constitute connected transactions under the Listing Rules. For the year ended 31 December 2021, the Group had not entered into any connected transactions nor continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules.

CONTRACTUAL ARRANGEMENTS

On 11 December 2001, the State Council adopted the Regulations on the Administration of Foreign-invested Telecommunication Enterprises (the "**FITE Regulations**"), which came into effect on 1 January 2002 and was amended on 10 September 2008. According to the FITE Regulations, the ratio of investment by foreign investors in a foreign-invested telecommunication enterprise which engages in the operation of value-added telecommunication business shall not ultimately exceed 50%, and the foreign investor in a foreign-invested telecommunication enterprise engaging in value-added telecommunication businesses shall have a good business record and experience in operating value-added telecommunication business (the "**Qualification Requirement**"). Currently, none of the applicable PRC laws, regulations or rules provides clear guidance on the interpretation of the good business record and experience in operating value-added telecommunication business.

On 19 January 2015, the Ministry of Commerce released Foreign Investment Law of the PRC (Draft for Comment) (the "**Draft Foreign Investment Law**") and Notes to the Foreign Investment Law of the PRC (Draft for Comment) (the "**Notes**"). The Draft Foreign Investment Law (i) expressly stipulates that foreign investments include situations where foreign investors obtain direct or indirect control or interests in the PRC enterprises through structured contracts, trust or other ways and (ii) specifies the restrictions on foreign investments under the prohibited and restricted lists (the "**Negative List**").

During the year ended 31 December 2021, certain business activities of the Group which were/are categorised as "restricted" business under the PRC laws and regulations have been carried out by the Group through a series of contractual agreements (the "**VIE Agreements**") with certain PRC nationals to control Shanghai Huatong Silver Exchange* (上海華通鉑銀交易市場有限公司) ("**Shanghai Huatong**" or the "**Structured Entity**"), a limited liability company established in the PRC, pursuant to which the economic benefits and control of the Structured Entity are transferred to the relevant subsidiary of the Company (the "**VIE Structure**").

(i) VIE Structure

2016 Contractual Arrangements

The Group through its subsidiary Shenzhen Guoyintongbao Company Limited* (深圳國銀通寶有限公司) ("**SZ Silver**") entered into a series of contractual agreements (the "**2014 VIE Agreements**") with Shenzhen Yinruiji Cultural Development Company Limited* (深圳銀瑞吉文化發展有限公司) ("**SZ Yinruiji**") and/or its shareholders on 20 May 2014 (the "**2014 Contractual Arrangements**") which allows the Group to exercise full control of SZ Yinruiji.

On 6 July 2015, SZ Yinruiji acquired an aggregate of 25% equity interest in Shanghai Huatong for an aggregate consideration of RMB40 million. To acquire the remaining 75% equity interest in Shanghai Huatong, on 28 January 2016, Wenzhou Yintong Economic Information Consulting Co., Limited (溫州銀通經濟信息諮詢有限公司) ("**WZ Yintong**"), a wholly owned subsidiary of the Company, entered into a series of contractual agreements (the "**2016 VIE Agreements**") with Shanghai Huatong and/or its shareholders (the "**2016 Contractual Arrangements**"). As part of the acquisition for the 75% equity interest in Shanghai Huatong, all of the equity interest in Shanghai Huatong has been transferred to the nominees of the Company who are the registered equity-holders (the "**Registered Equity-holders**") of Shanghai Huatong. Shanghai Huatong is engaged in internet information service and e-commerce business, which fall into the value-added telecommunications services and are considered restricted according to the Guiding Catalog of Industries for Foreign Investment Industries promulgated in 2015. Following certain changes to applicable PRC laws and regulations in the first half of 2015, wholly foreign owned enterprises are now permitted to hold the relevant licence to engage in operating e-commerce transactions. Since such developments in PRC laws and regulations, the Group has sought to obtain, own and operate the relevant licences to allow it to operate the business of Shanghai Huatong. On 22 August 2017, the Group entered into the contractual arrangement termination agreement (the "**Contractual Arrangement Termination Agreement**") to unwind the 2014 VIE Agreements and completed the unwinding of the 2014 Contractual Arrangements. Details of the Contractual Arrangement Termination Agreement are set out in the announcements of the Company dated 9 August 2017 and 22 August 2017.

Through Shanghai Huatong's trading platform, the Group will be able to gather all valuable information of the entire industry chain and can provide the best one-stop services, including trading, storage, logistics, etc. to their customers. Shanghai Huatong seeks to link together the national and international spot markets of silver so as to further strengthen the fairness and recognition of the integrated price which will be the core pricing criteria for silver in the near future. It is expected more Renminbi-priced commodities such as platinum and palladium will be introduced to the customers of Shanghai Huatong.

(ii) Significance and financial contribution of the Structured Entity to the Group

During the year ended 31 December 2021, the Structured Entity was significant to the Group as it held relevant license to provide internet information services. The following table sets out the Registered Equity-holders and business activities of the Structured Entity:

Name of the operating company	Registered Equity-holders	Business activities
Shanghai Huatong[1]	80% by Mr. Zhou Peiliang 20% by Mr. Chen Zhiyong	Internet information service and e-commerce business

Note:

1. Shanghai Huatong was granted an internet content provider licence by the relevant PRC authorities on 4 January 2016.

The following table sets out the financial contribution of the Structured Entity to the Group:

	Revenue for the year ended 31 December 2020 (RMB million)	**Revenue for the year ended 31 December 2021 (RMB million)**	**Assets as at 31 December 2021 (RMB million)**
Shanghai Huatong	86	**48**	**532**

(iii) Risks and mitigation relating to the VIE Structure

In connection with the VIE Structure, the Group is subject to certain risks and limitations, which are summarized below:

(a) If Shanghai Huatong fails to obtain the requisite licenses and approvals to continually operate its online sales or trading business in the PRC, the Group's business and financial position may be adversely affected.

(b) Foreign direct investment in value-added telecommunications business is governed by the FITE Regulations, which require a foreign investor who would like to acquire any equity interest in the value-added telecommunications business to meet the Qualification Requirement. The Group has been taking steps to build up its business record and experience, but given the lack of guidelines in this unclear area of the law, there is no guarantee that the steps taken will be sufficient to enable the Company to ultimately acquire the ownership in Shanghai Huatong. The exercise of the option to acquire the ownership of Shanghai Huatong may be subject to substantial costs. Under the Exclusive Option Agreement, WZ Yintong has the sole discretion to require the shareholders of Shanghai Huatong to transfer their equity interest in Shanghai Huatong to WZ Yintong at the lower of (i) the amount of the registered capital contributed by the shareholders in accordance with their respective percentage of equity interest in Shanghai Huatong and (ii) the lowest price permitted under the PRC laws. The relevant PRC authorities may require WZ Yintong to pay a substantial amount of enterprise income tax for the income from the ownership transfer if the purchase price is set below the market value.

(c) Although the PRC legal adviser to the Company expressed the view that the VIE Structure is in compliance with the relevant PRC laws and regulations, uncertainties exist regarding the interpretation and application of the PRC laws and regulations, especially in the area of value-added telecommunications business. The PRC legal adviser to the Company cannot assure that the PRC regulatory authorities will not determine that the Company's corporate structure and the VIE Structure violate the PRC laws, rules or regulations. The PRC legal adviser to the Company also cannot rule out the possibility that there may be amendments to the Draft Foreign Investment Laws and the Notes before promulgation and implementation of the New Foreign Investment Law which may have a material adverse impact on the Group at the time when they take effect. If Shanghai Huatong is found to be in violation of any future PRC foreign investment laws or regulation and/or any other laws or regulation, the relevant PRC regulatory authorities would have broad discretion in dealing with such violation including levying fines, confiscating the income, revoking Shanghai Huatong's business or operating licence(s), to restructure the relevant ownership structure or operations, and to dispose of all or some of its equity interest in Shanghai Huatong. Any of these actions could cause material and adverse effect in the Group's ability to conduct business. In addition, if the imposition of any of these penalties causes the Company to lose the rights to receive its economic benefits from the Shanghai Huatong, the Company will no longer be able to consolidate Shanghai Huatong. In case the Company is required to dispose of all the equity interest in Shanghai Huatong, the Company may record a substantial loss and the Company's financial condition and results of operation may be materially and adversely affected.

(d) The 2016 VIE Agreements may not provide control as effective as direct ownership. The Company has to rely on the rights of WZ Yintong under the 2016 VIE Agreements to effect changes in the management of Shanghai Huatong and make an impact on its business decision making, as opposed to exercising its rights directly as a registered equity-holder. If Shanghai Huatong or its Registered Equity-holders refuse to cooperate, the Company will face difficulties in effecting control over the Shanghai Huatong's operation of business through the VIE Structure, which may adversely affect the Company's business efficiency.

(e) The Registered Equity-holders of Shanghai Huatong may have potential conflicts of interest with the Group. Although there are provisions under the Exclusive Option Agreement to prevent those situations, conflicts of interest may still arise when the interest of any Registered Equity-holder does not align with that of the Company, and such Registered Equity-holder may breach or cause Shanghai Huatong to breach the 2016 VIE Agreements. If the Group fails to resolve this internally, it may have to resort to formal dispute resolution proceedings, which may be costly and time-consuming and which outcome is uncertain. If ultimately any Registered Equity-holder has to be removed, it may be difficult for the Company to maintain investors' confidence in the VIE Structure.

(f) The VIE Agreements may be subject to scrutiny by the tax authorities and additional tax may be imposed. Under the Exclusive Consultancy and Services Agreement, Shanghai Huatong is required to pay WZ Yintong a service fee for the services rendered by WZ Yintong. Such service fee payments between related parties may be subject to scrutiny or challenge by the PRC tax authorities within ten years after the taxable year during which such transactions are conducted.

(g) Although the Company intends to take the steps as described above to meet the Qualification Requirement and the Company's PRC legal adviser has confirmed that the overseas business experience can be counted towards the Qualification Requirement, there is no assurance that those steps will be sufficient to satisfy the Qualification Requirement, especially when the relevant PRC authorities have not issued any clear guidance as to the interpretation of the Qualification Requirement. Thus, there is a risk that when the foreign ownership restrictions are lifted in the future, the Group may be required to unwind the VIE Structure before it is in a position to comply with the Qualification Requirement.

(h) The Company has put in place internal controls to safeguard its assets held through the 2016 VIE Agreements. Shanghai Huatong is required to make available monthly management accounts and submits key operating data after each month end and provide explanations on any material fluctuations to WZ Yintong. Shanghai Huatong assists and facilitates WZ Yintong to conduct quarterly on-site internal audit on Shanghai Huatong and if required, legal advisers and, or other professionals will be retained to deal with specific issues arising from the 2016 VIE Agreements and to ensure that the operation of Shanghai Huatong will comply with applicable laws and regulations.

(i) As the Draft Foreign Investment Law and the Notes are not formally promulgated and no Negative List is formulated or promulgated by the State Council according to the Draft Foreign Investment Law and the Notes, there is uncertainty as to whether the business of Shanghai Huatong will fall into the restricted list or prohibited list of the Negative List. According to current Draft Foreign Investment Law and the Notes, with respect to investment arrangement through VIE structure before the New Foreign Investment Law taking effect, if the relevant investment still falls within restricted or prohibited industries for foreign investment, it will be subject to (i) reporting; (ii) verification; or (iii) access permission requirements. There is uncertainty as to which one of the three possible regimes will be finally adopted in the New Foreign Investment Law. Taking into account the facts that the consultation stage for public comment of the Draft Foreign Investment Law and the Notes ended in February 2015 and a number of legislative stages have to be undergone before the promulgation and implementation of the New Foreign Investment Law, and the undertaking provided by Mr. Chen Wantian in respect of the VIE structure of Shanghai Huatong, the Directors consider that proper arrangement has been made at this stage to mitigate against the risk to the minimal risk level that, the business under the 2016 Contractual Arrangements may become non-compliance with the Draft Foreign Investment Law and the Notes.

(j) The Board will review the VIE Structure regularly and determine if the Group encounters any issues in safeguarding its assets held through the 2016 VIE Agreements. If any major issues or difficulties arise in doing so, the Board will engage legal advisers and/or other professionals to assist the Group to tackle such issues or difficulties.

Up to 31 December 2021, the Group did not maintain any insurance to cover the risks relating to the VIE Agreements.

Despite the above, as advised by the PRC legal advisers to the Company, the VIE Structure is in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under the current PRC laws. The Company will monitor the relevant PRC laws and regulations relevant to the VIE Structure and will take all necessary actions to protect the Company's interest in Shanghai Huatong.

(iv) Material changes

Save as disclosed above, during the year ended 31 December 2021, there was no material change in the VIE Agreements and/or the circumstances under which they were adopted.

(v) Unwinding of the VIE Agreements

Up to 31 December 2021, other than the 2014 VIE Agreements which were unwound on 22 August 2017, none of the VIE Agreements has been unwound.

SHARE OPTION SCHEMES

The Company adopted a share option scheme on 5 December 2012 (the "**2012 Scheme**") and 21 April 2015 (the "**2015 Scheme**", together with the 2012 Scheme, the "**Share Option Schemes**") respectively. The purpose of the Share Option Schemes is to reward participants who have contributed to our Group and to encourage participants to work towards enhancing the value of our Group. Further details of the Share Options Schemes are set out in note 34 to the consolidated financial statements.

Details of the movement of the share options granted under the 2012 Scheme during the year ended 31 December 2021 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1.1.2021	Lapsed during the period	Exercised during the period	Outstanding as of 31.12.2021
Directors							
Mr. Chen Wantian	3 July 2013	HK$0.96	3 July 2014 – 2 July 2023	2,450,000	–	–	2,450,000
	20 August 2014	HK$2.20	20 August 2015 – 19 August 2024	2,200,000	–	–	2,200,000
Mr. Song Guosheng	20 August 2014	HK$2.20	20 August 2015 – 19 August 2024	500,000	–	–	500,000
Employees							
In aggregate	20 August 2014	HK$2.20	20 August 2015 – 19 August 2024	22,200,000	(1,200,000)	–	21,000,000
	2 January 2015	HK$1.80	2 January 2016 – 1 January 2025	44,800,000	–	–	44,800,000
				72,150,000	(1,200,000)	–	70,950,000

The total number of Shares available for issue under the 2012 Scheme is 70,950,000 representing, approximately 4.36% of the Company's issued share capital as at 31 December 2021.

Details of the movement of the share options granted under the 2015 Scheme during the year ended 31 December 2021 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1.1.2021	Lapsed during the period	Exercised during the period	Outstanding as of 31.12.2021
Employees							
In aggregate	27 August 2015	HK$1.97	27 August 2016 – 26 August 2025	81,000,000	–	–	81,000,000
				81,000,000	–	–	81,000,000

The total number of Shares available for issue under the 2015 Scheme is 81,000,000, representing approximately 4.97% of the Company's issued share capital as at 31 December 2021.

Note 1: The closing price per Share immediately before 3 July 2013, 20 August 2014, 2 January 2015 and 27 August 2015 (the date on which the share options were granted) was HK$0.95, HK$2.20, HK$1.80 and HK$1.87 respectively.

Note 2: Share options granted under the 2012 Scheme on 3 July 2013 are exercisable during the period from 3 July 2014 to 2 July 2023 in three batches, being:

- 3 July 2014 to 2 July 2023 (up to 30% of the share options granted are exercisable)
- 3 July 2015 to 2 July 2023 (up to 60% of the share options granted are exercisable)
- 3 July 2016 to 2 July 2023 (all share options granted are exercisable)

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

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

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

- 2 January 2016 to 1 January 2025 (up to 30% of the share options granted are exercisable)
- 2 January 2017 to 1 January 2025 (up to 60% of the share options granted are exercisable)
- 2 January 2018 to 1 January 2025 (all share options granted are exercisable)

Note 3: Share options granted under the 2015 Scheme on 27 August 2015 are exercisable during the period from 27 August 2016 to 26 August 2025 in two batches, being:

- 27 August 2016 to 26 August 2025 (up to 50% of the share options granted are exercisable)
- 27 August 2017 to 26 August 2025 (all share options granted are exercisable)

EQUITY-LINKED AGREEMENTS

Save as the Share Option Schemes disclosed above, 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 RMB 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 39(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 auditors 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 for the year ended 31 December 2021.

PERMITTED INDEMNITY PROVISION

Pursuant to article 164 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 31 to 43 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 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 Wantian
Chairman

Hong Kong, 13 May 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 CHINA SILVER GROUP LIMITED
中國白銀集團有限公司
(incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Silver Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 65 to 165, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION

Scope limitation on inability to obtain sufficient appropriate audit evidence concerning inventory write-off on the disposal dates

As described in Note 24 to the consolidated financial statements, during the year ended 31 December 2021, pursuant to the two administrative penalty notices and a rectification notice (collectively, the "**Notices**") issued by the Ji'an City Yongfeng Ecology and Environment Bureau (吉安市永豐生態環境局) (the "**Yongfeng Ecology and Environmental Bureau**") and imposed on the Group's wholly-owned subsidiary, Jiangxi Longtianyong Nonferrous Metals Co. Ltd. ("**Jiangxi Longtianyong**") following on-site inspection by the Yongfeng Ecology and Environmental Bureau on Jiangxi Longtianyong, inventory of raw materials with an quantity of approximately of 26,000,000 kilogram and an amount of approximately of RMB2,408,511,000, which were held for the production purpose, were considered to be hazardous materials, ordered to be properly handled and disposed of. As a result, there was a write-off of inventories of RMB2,408,511,000 recognised in the consolidated statement of profit or loss and other comprehensive income.

Since we did not observe the counting of physical inventories in the process of disposing of the relevant inventories, we were unable to satisfy ourselves by alternative means concerning the inventory condition and inventory quantity being disposed of on relevant disposal dates and hence we were unable to obtain sufficient appropriate audit evidence to substantiate the amount of the inventories being written off. Any adjustments that might have been found necessary might have significant consequential effect on the Group's financial performance and cash flows of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Material uncertainties relating to going concern

As of 31 December 2021, the Group had current assets of RMB1,580,409,000, current liabilities of RMB600,087,000, net current assets of RMB980,322,000 and net assets of RMB1,233,307,000. However, when the Group excluded the current assets of RMB1,480,243,000 and current liabilities of RMB108,239,000 that are attributable to its non-wholly-owned subsidiary, CSMall Group Limited ("**CSMall Cayman**", which separately listed on The Stock Exchange of Hong Kong Limited and as at the date of this report, the Group held approximately 40.39% interest in the issued share capital of CSMall Cayman), the Group's current liabilities would exceed its current assets by RMB391,682,000 and the Group had net liabilities of RMB163,782,000, in which included the liabilities attributable to the Group excluding CSMall Cayman are bank borrowings amounted to RMB230,000,000 of which RMB10,000,000 due in February 2022 and RMB70,000,000 due in March 2022, bill payables of RMB80,000,000 that will be partially settled by pledged bank deposits of RMB40,000,000 and the remaining RMB40,000,000 due in February 2022, while its unrestricted bank balances and cash only amounted to RMB4,156,000.

BASIS FOR DISCLAIMER OF OPINION (Continued)

Material uncertainties relating to going concern (Continued)

In addition, as described in Note 24 to the consolidated financial statements, Jiangxi Longtianyong is subjected to the Notices issued by the Yongfeng Ecology and Environmental Bureau to properly dispose of its inventories and to undertake other rectification measures including demolition of non-compliant facilities and construction of new compliant facilities, which led to suspension of production and operation of the Group's operating segment of manufacturing, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC and accordingly impacted on the full resumption of its production and operation thereof.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to repay, renew or extend existing borrowings and other liabilities upon their maturities, through cash flows from operations and continuing support from the Group's finance providers and creditors. The appropriateness of preparation of the consolidated financial statements on the going concern basis highly depends on whether the assumptions taken into account by the directors of the Company in the going concern assessment as disclosed in Note 3 to the consolidated financial statements are reasonable and whether the plans and measures can be implemented successfully. As of the date of our report, we were unable to obtain sufficient appropriate evidence from management for their underlying assumptions on going concern as set out in Note 3 to the consolidated financial statements, including (i) the successful full resumption of the production activities in Jiangxi Longtianyong and successfully generating positive operating cash flow to the Group; (ii) the successful negotiations with the lender for the renewal of or extension for repayment of outstanding borrowings of RMB150,000,000 and (iii) the successful obtaining of additional new sources of financing as and when needed. Hence we were unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in Note 3 to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

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

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. The Audit Committee assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

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

Lai Hung Wai
Practising Certificate Number: P06995

Hong Kong, 13 May 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	6	**2,303,523**	4,759,330
Cost of sales and services provided		**(2,164,578)**	(4,326,130)
Gross profit		**138,945**	433,200
Other income, net	7	**6,268**	10,145
Other gains and losses	8	**(11,138)**	(9,714)
Selling and distribution expenses		**(30,400)**	(28,318)
Administrative expenses		**(99,815)**	(96,636)
Research and development expenses	9	**(1,488)**	(2,430)
Other expenses		**(2,081)**	(4,154)
Reversal of (provision for) impairment loss under expected credit loss model, net	10	**9,004**	(10,465)
Write-off of inventories	24	**(2,408,511)**	–
Net loss on termination of assignment contract in relation to acquisition of a land use right	25(iv)	**–**	(27,441)
Finance costs	11	**(14,181)**	(10,984)
(Loss) profit before tax		**(2,413,397)**	253,203
Income tax credit (expense)	12	**6**	(47,420)
(Loss) profit for the year	13	**(2,413,391)**	205,783
Other comprehensive expense, net of income tax			
Item that will not be reclassified to profit or loss:			
Fair value loss on investment in an equity instrument at fair value through other comprehensive income ("**FVTOCI**")		**(30)**	(1,556)
Total comprehensive (expense) income for the year		**(2,413,421)**	204,227
(Loss) profit for the year attributable to:			
Owners of the Company		**(2,412,925)**	227,502
Non-controlling interests		**(466)**	(21,719)
		(2,413,391)	205,783
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(2,412,955)**	225,946
Non-controlling interests		**(466)**	(21,719)
		(2,413,421)	204,227
		RMB	RMB
(Loss) earnings per share	16		
Basic		**(1.482)**	0.139
Diluted		**(1.482)**	0.139

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**141,790**	147,032
Right-of-use assets	18	**23,777**	25,515
Intangible assets	20	**97,208**	100,938
Deferred tax assets	21	**8,626**	15,966
Refundable rental deposits		**996**	1,096
Equity instrument at FVTOCI	22	**7,377**	7,407
Deposits paid on acquisition of non-current assets	23	**1,294**	19,749
		281,068	317,703
CURRENT ASSETS			
Inventories	24	**1,054,154**	2,577,583
Trade and other receivables	25	**69,035**	304,155
Restricted bank balances	26	**100,415**	76,370
Pledged bank deposits	26	**40,000**	47,008
Bank balances and cash	26	**316,805**	1,192,989
		1,580,409	4,198,105
CURRENT LIABILITIES			
Trade, bills and other payables	27	**335,349**	529,583
Trade loans	28	**–**	10,000
Lease liabilities – current portion	29	**3,965**	6,659
Contract liabilities	30	**19,531**	53,284
Deferred income	33	**2,182**	2,066
Income tax payable		**9,060**	27,074
Bank borrowings	31	**230,000**	205,000
		600,087	833,666
NET CURRENT ASSETS		**980,322**	3,364,439
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,261,390**	3,682,142

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
CAPITAL AND RESERVES			
Share capital	32	**13,284**	13,284
Share premium and reserves		**387,802**	2,800,757
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**401,086**	2,814,041
Non-controlling interests		**832,221**	832,687
TOTAL EQUITY		**1,233,307**	3,646,728
NON-CURRENT LIABILITIES			
Deferred tax liabilities	21	**9,803**	18,260
Lease liabilities – non-current portion	29	**4,378**	2,114
Deferred income	33	**13,902**	15,040
		28,083	35,414
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**1,261,390**	3,682,142

The consolidated financial statements on pages 65 to 165 were approved and authorised for issue by the board of directors on 13 May 2022 and are signed on its behalf by:

CHEN WANTIAN
DIRECTOR

SONG GUOSHENG
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	Share options reserve RMB'000	Capital reserve RMB'000 (Note i)	Statutory reserve RMB'000 (Note ii)	Exchange reserve RMB'000	FVTOCI reserve RMB'000	Retained profits (accumulated losses) RMB'000	Sub-total RMB'000	Attributable to non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	13,275	1,100,342	91,709	129,731	185,892	(2,736)	–	1,069,036	2,587,249	854,406	3,441,655
Profit for the year	–	–	–	–	–	–	–	227,502	227,502	(21,719)	205,783
Other comprehensive expense for the year	–	–	–	–	–	–	(1,556)	–	(1,556)	–	(1,556)
Total comprehensive income for the year	–	–	–	–	–	–	(1,556)	227,502	225,946	(21,719)	204,227
Transfer	–	–	–	–	27,532	–	–	(27,532)	–	–	–
Issue of shares upon exercise of share options	9	1,296	(459)	–	–	–	–	–	846	–	846
At 31 December 2020	13,284	1,101,638	91,250	129,731	213,424	(2,736)	(1,556)	1,269,006	2,814,041	832,687	3,646,728
Loss for the year	–	–	–	–	–	–	–	(2,412,925)	(2,412,925)	(466)	(2,413,391)
Other comprehensive expense for the year	–	–	–	–	–	–	(30)	–	(30)	–	(30)
Total comprehensive expense for the year	–	–	–	–	–	–	(30)	(2,412,925)	(2,412,955)	(466)	(2,413,421)
Transfer	–	–	–	–	882	–	–	(882)	–	–	–
Lapse of share options	–	–	(884)	–	–	–	–	884	–	–	–
At 31 December 2021	13,284	1,101,638	90,366	129,731	214,306	(2,736)	(1,586)	(1,143,917)	401,086	832,221	1,233,307

Notes:

(i) The capital reserve represents the sum of (a) RMB31,487,000 being the excess of the consideration paid by an independent investor to acquire 10% interest in the Group over the par value of the share capital subscribed; (b) RMB654,000 being the excess of the share capital of a subsidiary acquired by the Company over the nominal consideration of US$1 paid, as part of the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2012; (c) RMB115,029,000 and RMB54,303,000 being the difference between the increase in the non-controlling interests and the consideration received from the disposal of partial interest in CSMall Group Limited BVI ("**CSMall BVI**") in 2016 and 2017, respectively; (d) RMB18,000 being the difference between the increase in the non-controlling interests and the consideration received from the increase of partial interest in Tongsheng in 2017; (e) a negative amount of RMB74,692,000 being the difference between the increase in the non-controlling interests and the net proceeds received from the initial listing of shares in a Group's subsidiary, CSMall Group Limited ("**CSMall Cayman**") in March 2018 (as detailed in Note 44(iii)); and (f) decrease of RMB4,671,000 and increase of RMB7,603,000 being the shortfall of RMB83,008,000 of the share-based payment expense paid by CSMall Cayman and excess of the proceeds of RMB136,780,000 received from a strategic investor of CSMall Cayman, respectively, over the increase in the carrying amounts of non-controlling interests as a result of share issuance.

(ii) According to the relevant laws of the People's Republic of China (the "**PRC**"), the Company's subsidiaries established in the PRC have to transfer a portion of their profits after taxation to the statutory reserve. The transfer to this reserve must be made before the distribution of a dividend to the equity owners. The transfer can cease when the balance of the reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can be applied either to set off accumulated losses or to increase capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(2,413,397)**	253,203
Adjustments for:		
Amortisation of intangible assets	**10,630**	9,454
Bank interest income	**(1,422)**	(3,097)
Depreciation of property, plant and equipment	**18,842**	17,901
Depreciation of right-of-use assets	**6,473**	9,115
COVID-19-related rent concessions	**–**	(301)
Loss (gain) on early termination of leases	**32**	(77)
Finance costs	**14,181**	10,984
Net loss on termination of assignment contract in relation to acquisition of a land use right	**–**	27,441
One-off write-off of COVID-19 diagnostic kits	**–**	12,539
(Reversal of) provision for impairment loss under expected credit loss model, net of reversal	**(9,004)**	10,465
Write-off of inventories	**2,408,511**	–
Gain on disposal of a subsidiary	**–**	(755)
Loss on write-off and disposal of property, plant and equipment	**11,994**	–
Release of deferred income	**(2,183)**	(2,066)
Operating cash flows before movements in working capital	**44,657**	344,806
Increase in inventories	**(885,082)**	(283,894)
Decrease (increase) in refundable rental deposits	**100**	(798)
Decrease in trade and other receivables	**223,072**	191,763
(Decrease) increase in trade, bills and other payables	**(176,229)**	238,578
Increase in restricted bank balances	**(24,045)**	(51,025)
Decrease in contract liabilities	**(33,753)**	(4,369)
Increase in deferred income	**1,161**	13,519
Cash (used in) generated from operations	**(850,119)**	448,580
Income tax paid	**(19,125)**	(63,937)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(869,244)**	384,643

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Placement of pledged bank deposits		**(40,000)**	(47,008)
Settlement for the provision for the termination of assignment contracts	27(iv)	**(30,881)**	(10,275)
Purchase of property, plant and equipment		**(5,782)**	(19,705)
Deposits paid on acquisition of property, plant and equipment		**(2,584)**	(1,323)
Withdrawal of pledged bank deposits		**47,008**	–
Refund of deposits paid on acquisition of a land use right	25(iv)	**25,275**	245,600
Proceeds from disposals of property, plant and equipment		**3,066**	–
Interest received		**1,422**	3,097
Net cash inflow on disposal of a subsidiary	40	**–**	2,624
Deposits paid on acquisition of intangible assets		**–**	(24,310)
Purchase of intangible assets		**–**	(7,424)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(2,476)**	141,276
FINANCING ACTIVITIES			
New bank borrowings raised		**230,000**	235,000
Advances from third parties		**4,687**	4,595
Proceeds from issue of shares upon exercise of share options		**–**	846
Repayment of bank borrowings		**(205,000)**	(140,000)
Interest paid		**(14,172)**	(9,720)
Repayment of trade loans		**(10,000)**	(20,000)
Repayment of lease liabilities		**(5,197)**	(8,256)
Repayment to third parties		**(4,687)**	(5,991)
Repayment to 上海華通白銀國際交易中心 ("**Huatong International**")		**(95)**	(83)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(4,464)**	56,391
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(876,184)**	582,310
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,192,989**	610,679
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**316,805**	1,192,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Silver Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 July 2012 and its shares are listed on the Stock Exchange since 28 December 2012.

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 is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are (i) the manufacture, sale and trading of silver ingots, palladium and other non-ferrous metals in the PRC; (ii) design and sale of gold, silver, colored gemstones, gem-set and other jewellery products in the PRC; and (iii) provide professional electronic platform and related services for trading of silver ingots.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also 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 other amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has early applied the Amendment to IFRS 16 "COVID-19-Related Rent Concessions" in prior year and the 2021 Amendment in the current year. The 2021 Amendment extends the availability of the practical expedient in paragraph 46A of IFRS 16 "Leases" ("**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.

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

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

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

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

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

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

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

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

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

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

Going concern basis

For the year ended 31 December 2021, the Group incurred a loss of RMB2,413,391,000 which is mainly attributable to the write-off of inventories in the amount of RMB2,408,511,000 as a result of certain of inventory of raw materials from the operating segment of manufacturing, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC which carried out by the Group's wholly-owned subsidiary, Jiangxi Longtianyong Nonferrous Metals Co. Ltd. ("**Jiangxi Longtianyong**"), being deemed to be hazardous waste and ordered to be disposed of and the loss on write-off and disposal of property, plant and equipment of RMB10,597,000 including the rectification measure of demolition of non-compliant facilities in accordance with the competent governmental authorities' requirements amounting to RMB7,634,000 as well as the enhancement of production processes and placement of dilapidated equipment amounting to RMB2,963,000. Further details of the suspension of production and subsequent developments are set out in the Company's announcements dated 7 June 2021, 25 August 2021 and 22 February 2022.

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

3.1 Basis of preparation of consolidated financial statements (Continued)

Going concern basis (Continued)

As of 31 December 2021, the Group had current assets of RMB1,580,409,000, current liabilities of RMB600,087,000, net current assets of RMB980,322,000 and net assets of RMB1,233,307,000. However, when the Group excluded the current assets of RMB1,480,243,000 and current liabilities of RMB108,239,000 that are attributable to its non-wholly-owned subsidiary, CSMall Cayman (which separately listed on the Stock Exchange on 13 March 2018, and as at the date of this report, the Company held approximately 40.39% interest in the issued share capital of CSMall Cayman), the then current liabilities would exceed its current assets by RMB391,682,000 and the Group had net liabilities of RMB163,782,000, in which included the liabilities attributable to the Group excluding CSMall Cayman are bank borrowings amounted to RMB230,000,000 of which RMB10,000,000 due in February 2022 and RMB70,000,000 due in March 2022, bill payables of RMB80,000,000 that will be partially settled by pledged bank deposits of RMB40,000,000 and the remaining RMB40,000,000 due in February 2022, while its unrestricted bank balances and cash only amounted to RMB4,156,000.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business.

In order to improve the Group's financial positions, liquidity and cash flows, the directors of the Company have adopted or in the process of adopting the following measures:

(a) In light of the circumstances of the Group's production halt of Jiangxi Longtianyong, the Group acted in a timely manner to obtain and create all conditions in fixing and rectifying facilities and environment so as to enable Jiangxi Longtianyong to resume production, Jiangxi Longtianyong has been working to upgrade and enhance its production facilities for the clean production of tin and precious metals (including gold, silver and palladium) (the "**Project**"). The Project is subject to approvals by multiple governmental authorities. A consultation draft of the environmental impact report for the Project (the "**Consultation Draft**") has been made available for public inspection by the local government and no opposition has been received during the public inspection period. Following the completion of the public inspection period, the total pollutant emission levels calculated based on Consultation Draft and the emission standards adopted in Consultation Draft have been submitted to the relevant government authorities for review and approval. In parallel with the aforesaid environmental impact assessment process, Jiangxi Longtianyong has begun constructing some of the production facilities for the Project. It is expected that, following the approval of Consultation Draft and completion of such construction works, Jiangxi Longtianyong will carry out installation and testing of relevant equipment as well as trial run of the production facilities to ensure that they operate smoothly and are consistent with the emission levels and emission standards as approved by the relevant governmental authorities. Following such efforts, Jiangxi Longtianyong will apply for completion acceptance of the Project, after which the production facilities for the Project will be formally put into operation. The directors of the Company currently expect to fully resume such production activities in the second quarter of 2022 and generate positive operating cash flow to the Group. Further details of the suspension of production and subsequent developments are set out in the Company's announcements dated 7 June 2021, 25 August 2021 and 22 February 2022. In the meantime, the Group has reduced and minimised the operating cash outflows by actively mitigating the work flows of the staff;

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

3.1 Basis of preparation of consolidated financial statements (Continued)

Going concern basis (Continued)

(b) The Group has maintained long business relationship with its principal bankers, for borrowings which will be maturing before 31 December 2022, the Group is actively negotiating with the banks before they fall due to secure their renewals so as to ensure that the necessary funds to meet the Group's working capital and financial requirements in the future will continue to be met. The directors of the Company do not expect to experience significant difficulties in renewing most of these bank borrowings upon their maturities and there is no indication that these bank lenders will not renew the existing bank borrowings upon the Group's request. The directors of the Company have evaluated the relevant facts available to them and are of the opinion that the Group would be able to renew such borrowings upon maturity. Up to the date of issuance of this report, the Group has negotiated with the respective lenders to renew and extend existing borrowings upon their maturities, with bill payables of RMB40,000,000 and bank borrowing of RMB10,000,000 due in February 2022 being extended to February 2023 and bank borrowings of RMB69,340,000 out of RMB70,000,000 due in March 2022 being extended to March 2023;

(c) On 23 February 2022, the Company entered into the subscription agreements with three subscribers, pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 325,680,117 subscription shares at the subscription price of HK$0.59 per subscription share. The net proceeds received from the subscriptions were approximately HK$191,151,000, equivalent to approximately RMB155,108,000. The subscriptions were completed on 7 April 2022; and

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

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

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

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

3.1 Basis of preparation of consolidated financial statements (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value 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 share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16, 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.

3.2 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.

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

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's entity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) 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 (including goodwill), 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). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units).

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

3.2 Significant accounting policies (Continued)

Investments in subsidiaries

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

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.

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.

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 (Continued)

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

Allocation of consideration to components of a contract

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.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises and 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;

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)

Right-of-use assets (Continued)

- 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.

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;

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 (Continued)

- 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.

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.

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

3.2 Significant accounting policies (Continued)

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other 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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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)

Retirement benefit costs (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.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to directors and employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

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

3.2 Significant accounting policies (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to a consultant

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where that the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

Shares granted to employees by a subsidiary

At the time when the shares are granted to employees by a subsidiary that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss and the Group accounts for the dilution as an equity transaction if the shares granted do not constitute a loss of the Group's control over that subsidiary.

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 profit (loss) 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. In addition, deferred tax liabilities are not recognised if the temporary difference arise from the initial recognition of goodwill.

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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.

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 assets 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 to 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 taxes 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, 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.

Plants in the course of construction for production are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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

3.2 Significant accounting policies (Continued)

Intangible assets (Continued)

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

3.2 Significant accounting policies (Continued)

Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

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). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

In testing a cash generating unit for impairment, corporate 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.

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

3.2 Significant accounting policies (Continued)

Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

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 a 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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a 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 a 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. Costs necessary to make the sale include incremental costs directly attributable, to the sale and non-incremental costs which the Group must incur to make the sale.

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 purchase 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 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 (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, 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)

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.

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.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting 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.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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)

Classification and subsequent measurement of financial assets (Continued)

(i) 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.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, refundable rental deposits, restricted bank balances, pledged bank deposits 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.

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)

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 balance 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.

(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.

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 (Continued)

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.

(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 of default 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.

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)

(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.

(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 adjusted 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.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

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 at amortised cost

Financial liabilities including trade, bills and other payables, trade loans and bank borrowings 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.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Provisions

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).

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

4. CRITICAL ACCOUNTING JUDGMENTS AND 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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over CSMall Cayman and its subsidiaries

Note 44(iii) describes that CSMall Cayman and its subsidiaries are accounted for as subsidiaries of the Group although the Group has 40.39% (2020: 40.39%) ownership interest and voting rights in CSMall Cayman, which is listed on the Stock Exchange. Details of CSMall Cayman are set out in Note 44(iii).

As at 31 December 2021, the Group holds 40.39% (2020: 40.39%) ownership of CSMall Cayman and is the single largest shareholder of CSMall Cayman. The remaining 59.61% (2020: 59.61%) shareholdings are mainly attributed by 7.34% (2020: 13.41%) of shareholdings owned by a trustee of an employee share scheme under Pre-IPO scheme (involving 58 employees of CSMall Cayman) set up in 2018, 8.08% of shareholdings held by a strategic individual shareholder, 6.81% of shareholdings held by another trustee of another employee share scheme under Post-IPO scheme (involving 40 employees of CSMall Cayman) set up in 2019, an aggregate 3.9% of shareholdings owned by certain directors of CSMall Cayman, 0.85% of shareholdings held by a director of the Company, and the rest 32.63% (2020: 26.56%) shareholdings held by public shareholders that are unrelated to the Group.

The directors of the Company assessed whether the Group has control over CSMall Cayman based on whether the Group has the practical ability to direct the relevant activities of CSMall Cayman unilaterally. In making the judgment, the directors of the Company considered the Group's absolute size of holding in CSMall Cayman, the relative size of and dispersion of the shareholdings owned by the other shareholders, voting patterns at previous shareholders' meetings and the relevant voting arrangements with certain shareholders of CSMall Cayman. In addition, none of the above other shareholders other than the Group has any arrangements to consult any of the others or make collective decisions. Hence, when assessing the proportion of voting rights to acquire, on the basis of the relative size of the other shareholdings, the directors of the Company determined and concluded that 40.39% (2020: 40.39%) shareholdings dominate voting interest would be sufficient to give it control over CSMall Cayman and direct the relevant activities of CSMall Cayman.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying accounting policies (Continued)

Recognition of restricted bank balances and deposits received

The Group maintains segregated trust bank accounts with authorised institutions to hold clients' monies in the course of trading in the silver exchange platform. The directors of the Company have assessed and considered that the Group obtains benefit of income from holding the clients' monies as it entitles all relevant interest income from the restricted bank balances. The Group also bears the risk of holding the clients' monies as it is liable for any loss or misappropriation of clients' monies. Accordingly, the Group has recognised the clients' monies held in the banks as restricted bank balances under current assets with a corresponding deposits received included in other payables under current liabilities in the consolidated statement of financial position. Whether such restricted bank balances and the corresponding deposits received should be recognised on the consolidated statement of financial position and presented on a gross basis is a matter of judgment by the Group's management. As at 31 December 2021, the carrying amount of restricted bank balances and corresponding deposits received included in other payables were both RMB100,415,000 (2020: RMB76,370,000) (Notes 26 and 27).

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.

Impairment assessment on intangible assets and other non-current asset allocated to Silver Exchange segment (as defined in Note 5)

In determining whether goodwill, intangible assets and other non-current asset allocated to Silver Exchange segment, which is an individual cash-generating unit ("**CGU**") of the Group, are impaired requires an estimation of value in use of the CGU to which these assets have been allocated.

The value in use was determined by the management based on the cash flows of this CGU discounted to its present value with the involvement of an independent valuer appointed by the Group. This required the use of key assumptions including the estimation of cash inflows/outflows, terminal growth rate and discount rate applied. Where the expected future cash flows arising from the relevant CGU differ from the original estimation, additional impairment loss may arise.

As at 31 December 2021, the carrying amounts of intangible assets and a deposit paid for acquisition of intangible assets under non-current asset relating to Silver Exchange segment were RMB92,997,000 (2020: RMB96,365,000) (Note 20) and nil (2020: RMB12,959,000) (Note 23) respectively, after taking into account the impairment losses of nil (2020: nil) that have been recognised in profit or loss respectively. Details of the impairment of intangible assets is disclosed in Note 20.

Based on the impairment assessment, the recoverable amounts of cash-generating units are higher than their respective carrying amounts. Judgment is required in the area of impairment. If there is a significant adverse change in the key assumptions, it may be necessary to have an impairment charge to the income statement. With all other variables held constant, if there was decrease in projected revenue by 10% (2020: 10%) throughout the forecast period, the recoverable amount would be still higher than (2020: higher than) their carrying amount. Similarly, with all other variables held constant, if there was a decrease in projected revenue by 30% (2020: 30%) the recoverable amount would be still higher than their carrying amount.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment assessment on property, plant and equipment, right of use assets, intangible assets and other non-current asset allocated to Manufacturing segment (as defined in Note 5)

In determining whether property, plant and equipment, right of use assets, intangible assets and other non-current asset allocated to Manufacturing segment, which is an individual CGU of the Group, are impaired requires an estimation of value in use of the CGU to which these assets have been allocated.

The value in use was determined by the management based on the cash flows of this CGU discounted to its present value. This required the use of key assumptions including the estimation of cash inflows/outflows, terminal growth rate and discount rate applied. Where the expected future cash flows arising from the relevant CGU differ from the original estimation, additional impairment loss may arise.

As at 31 December 2021, the carrying amounts of property, plant and equipment, right of use assets, intangible assets and a deposit paid for acquisition of property, plant and equipment under non-current asset relating to Manufacturing segment were RMB121,438,000 (2020: RMB137,279,000) (Note 17), RMB16,392,000 (2020: RMB16,827,000) (Note 18), RMB4,211,000 (2020: RMB4,573,000) (Note 20) and RMB1,201,000 (2020: RMB5,522,000) (Note 23) respectively, after taking into account the impairment losses of nil (2020: nil) that have been recognised in profit or loss respectively. Details of the impairment assessment are disclosed in Note 17.

Based on the impairment assessment, the recoverable amounts of cash-generating units are higher than their respective carrying amounts. Judgment is required in the area of impairment. If there is a significant adverse change in the key assumptions, it may be necessary to have an impairment charge to the profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Provision for restoration cost for environment in Jiangxi Longtianyong

Provisions are recognised when the Group has a present obligation 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.

Based on the management estimation, the provision of RMB12,626,000 (2020: RMB12,626,000) including in the balances of trade, bills and other payable provided for restoration cost of the environment in Jiangxi Longtianyong.

Valuation of 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 any potential allowance for inventories. The management estimates the net realisable value of inventories based primarily on the current market conditions and subsequent selling price of products. The Group makes allowance for inventories 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 was RMB1,054,154,000 (2020: RMB2,577,583,000), net of a write-off of RMB2,408,511,000 (2020: nil) during the year ended 31 December 2021. Details of the suspension of production and subsequent developments are set out in Note 3.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for certain of trade receivables. The provision rates are based on historical default rates ratings as groupings 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 costs 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 is disclosed in Notes 25 and 39, respectively.

Estimated impairment of property, plant and equipment and right-of-use assets other than Manufacturing segment

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 colored gemstones, gem-set and other jewellery products.

As at 31 December 2021, the carrying amounts of right-of-use assets and property, plant and equipment other than Manufacturing segment subject to impairment assessment were RMB7,385,000 and RMB20,352,000 (2020: RMB8,688,000 and RMB9,753,000) 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. SEGMENT INFORMATION

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

(i) manufacturing, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC ("**Manufacturing segment**");

(ii) designing and sales of gold, silver, colored gemstones, gem-set and other jewellery products in the PRC ("**New Jewellery Retail segment**"); and

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

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

(a) Segment revenue and results

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

For the year ended 31 December 2021

	Manufacturing segment RMB'000	New Jewellery Retail segment RMB'000	Silver Exchange segment RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue						
External sales	1,891,945	364,022	47,556	2,303,523	–	2,303,523
Inter-segment sales*	92,522	165	–	92,687	(92,687)	–
Total segment revenue	1,984,467	364,187	47,556	2,396,210	(92,687)	2,303,523
Results						
Segment results	(2,420,889)#	9,829	30,996	(2,380,064)	–	(2,380,064)
Non-segment items						
Unallocated income, expenses, gains and losses						(19,514)
Unallocated finance costs						(13,819)
Loss before tax						(2,413,397)

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

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

5. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

For the year ended 31 December 2020

	Manufacturing segment RMB'000	New Jewellery Retail segment RMB'000	Silver Exchange segment RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue						
External sales	4,325,813	347,768	85,749	4,759,330	–	4,759,330
Inter-segment sales*	258,823	–	–	258,823	(258,823)	–
Total segment revenue	4,584,636	347,768	85,749	5,018,153	(258,823)	4,759,330
Results						
Segment results	239,515	9,565	70,350	319,430	–	319,430
Non-segment items						
Unallocated income, expenses, gains and losses						(29,300)
Net loss on termination of assignment contract in relation to acquisition of a land use right						(27,441)
Unallocated finance costs						(9,486)
Profit before tax						253,203

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent profit earned (loss incurred) by each segment, without allocation of central administrative expenses, certain other income, certain other gains and losses, certain impairment loss, net of reversal, certain other expenses, net loss on termination of assignment contract in relation to acquisition of a land use right and certain finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

At 31 December 2021

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

At 31 December 2020

	Manufacturing segment RMB'000	New Jewellery Retail segment RMB'000	Silver Exchange segment RMB'000	Total RMB'000
ASSETS				
Segment assets	2,777,025	1,531,925	201,591	4,510,541
Unallocated corporate assets				5,267
Total assets				4,515,808
LIABILITIES				
Segment liabilities	543,700	191,220	116,136	851,056
Unallocated corporate liabilities				18,024
Total liabilities				869,080

5. SEGMENT INFORMATION (Continued)

(c) Other segment information

For the year ended 31 December 2021

	Manufacturing segment RMB'000	New Jewellery Retail segment RMB'000	Silver Exchange segment RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Amortisation of intangible assets	(362)	–	(10,268)	–	(10,630)
Depreciation of property, plant and equipment	(13,271)	(5,204)	(366)	(1)	(18,842)
Depreciation of right-of-use assets	(435)	(5,181)	(3)	(854)	(6,473)
Fair value loss on investment in equity instrument at FVTOCI	–	–	(30)	–	(30)
Reversal of impairment loss under expected credit loss model, net	275	8,729	–	–	9,004
Loss on write-off and disposal of property, plant and equipment	(10,597)	(1,397)	–	–	(11,994)
Write-off of inventories	(2,408,511)	–	–	–	(2,408,511)

5. SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

For the year ended 31 December 2020

	Manufacturing segment RMB'000	New Jewellery Retail segment RMB'000	Silver Exchange segment RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Amortisation of intangible assets	(362)	(281)	(8,811)	–	(9,454)
Depreciation of property, plant and equipment	(13,545)	(3,875)	(404)	(77)	(17,901)
Depreciation of right-of-use assets	(435)	(7,611)	(3)	(1,066)	(9,115)
Fair value loss on investment in equity instrument at FVTOCI	–	–	(1,556)	–	(1,556)
Provision for impairment loss under expected credit loss model, net	220	(11,147)	462	–	(10,465)
Loss on write-off and disposal of property, plant and equipment	–	–	–	–	–
Write-off of inventories	–	–	–	–	–

5. SEGMENT INFORMATION (Continued)

(d) Geographical information

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

	Revenue from external customers		Non-current assets	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**2,303,523**	4,759,330	**262,970**	291,944
Hong Kong	**–**	–	**1,099**	1,290
	2,303,523	4,759,330	**264,069**	293,234

Note: Non-current assets excluded financial instruments and deferred tax assets.

(e) Information about major customers

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

	2021	2020
	RMB'000	RMB'000
Customer A#	**338,513**	1,368,847
Customer B#	**318,881**	N/A*
Customer C#	**448,321**	572,712
Customer D#	**N/A***	495,962

Notes:

Revenue from sales of palladium in Manufacturing segment.

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

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments By types of goods and services	2021 RMB'000	2020 RMB'000
Manufacturing segment		
– Sales of silver ingots	**308,327**	286,907
– Sales of palladium	**1,448,111**	3,636,368
– Sales of lead ingots	**56,624**	146,992
– Sales of zinc oxide	**–**	1,990
– Sales of other metal by-products	**78,883**	253,556
	1,891,945	4,325,813
New Jewellery Retail segment		
– Sales of gold products	**149,893**	78,708
– Sales of silver products	**211,166**	265,946
– Sales of colored gemstones	**1,926**	–
– Sales of gem-set and other jewellery products	**1,037**	3,114
	364,022	347,768
Silver Exchange segment		
– Commission income	**47,556**	85,749
Total	**2,303,523**	4,759,330
By geographical market		
The PRC	**2,303,523**	4,759,330

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

6. REVENUE (Continued)

(ii) Performance obligations for contracts with customers

Manufacturing segment

The Group sells silver ingots, palladium and other non-ferrous metals directly to customers.

Revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the customer's specific location. Following the delivery, the customer has the primary responsibility in selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 days upon delivery date.

Under the Group's standard contract terms, customers have a right to exchange for dissimilar products within 10 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and corresponding adjustment to cost of sales.

New Jewellery Retail segment

The Group sells gold products, silver products, colored gemstones, 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 7 days 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.

Silver Exchange segment

The Group operates a professional electronic platform for its customer to trade silver ingots. Commission income is recognised as revenue when the transaction made by the customer on the platform is completed. Payments from the customers are made immediately upon the transaction is completed.

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

All contracts with customers for 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.

7. OTHER INCOME, NET

	2021 RMB'000	2020 RMB'000
Release of deferred income (Note 33)	**2,183**	2,066
Government grants (Note)	**1,727**	3,451
Bank interest income	**1,422**	3,097
(Loss) gain on early termination of leases	**(32)**	77
COVID-19-related rent concessions	**–**	301
Others	**968**	1,153
	6,268	10,145

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

During the year ended 31 December 2020, the Group recognised government grants of RMB48,000 in respect of COVID-19-related subsidies related to Employment Support Scheme provided by the Hong Kong government. In the opinion of the directors of the Company, the Group has fulfilled all conditions attached to the grants.

8. OTHER GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000
Net exchange gain	**856**	3,041
Loss on write-off and disposal of property, plant and equipment (Note i)	**(11,994)**	–
COVID-19 diagnostic kit trading income (Note ii)	**–**	2,667
COVID-19 diagnostic kit trading expenses (Note ii)	**–**	(3,638)
One-off write-off of COVID-19 diagnostic kits (Note ii)	**–**	(12,539)
Gain on disposal of a subsidiary (Note iii)	**–**	755
	(11,138)	(9,714)

Notes:

i. The amount included the loss on write-off and disposal of property, plant and equipment of RMB10,597,000 during the year ended 31 December 2021, resulting from the Group's demolition of non-compliant facilities of Jiangxi Longtianyong in accordance with the competent governmental authorities' requirements amounting to RMB7,634,000 and the Group's enhancement of production processes and replacement of dilapidated equipment amounting to RMB2,963,000.

ii. 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.

iii. The amount represented gain on disposal of an indirect non 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 40.

9. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses mainly represent expenses for specific research, staff costs and technical consultation fees incurred for the enhancement of production techniques.

10. 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	9,004	(10,465)

Details of impairment assessment are set out in Note 39.

11. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank borrowings	13,797	9,449
Interest on trade loans	–	1,144
Interest on lease liabilities	384	391
	14,181	10,984

12. INCOME TAX (CREDIT) EXPENSE

	2021 RMB'000	2020 RMB'000
PRC Enterprise Income Tax ("**EIT**")		
– current year	8,349	64,700
– overprovision in respect of prior years	(7,238)	(5,744)
	1,111	58,956
Deferred taxation – current year (Note 21)	(1,117)	(11,536)
	(6)	47,420

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

12. INCOME TAX (CREDIT) EXPENSE (Continued)

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 the following two of the major subsidiaries of the Group. Jiangxi Longtianyong was recognised as a High and New Technology Enterprise by the PRC tax authorities such that it is entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2019 to 2021 (2020: 2019 to 2021) and was subject to review once every three years. Shanghai Huatong Silver Exchange Company Limited (上海華通鉑銀交易市場有限公司) ("**Shanghai Huatong**") has been recognised as a High and New Technology Enterprise during the year, such that it is entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2020 to 2022 and was subject to review once every three years. Shenzhen Yunpeng, a former subsidiary of the Group (see Note 40), 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 years ended 31 December 2020, Shenzhen Yunpeng, the former subsidiary, was subject to PRC EIT at the rate of 12.5%.

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

	2021 **RMB'000**	2020 RMB'000
(Loss) profit before tax	**(2,413,397)**	253,203
Tax at the domestic income tax rate of 25% (2020: 25%)	**(603,350)**	63,301
Tax effect of expenses not deductible for tax purpose	**607,628**	23,020
Tax effect of income not taxable for tax purpose	**(739)**	(16,884)
Tax effect of deductible temporary differences not recognised	**–**	275
Tax effect of concessionary tax rate granted	**(9,741)**	(18,479)
Tax effect of utilisation of tax losses previously not recognised	**–**	(1)
Tax effect of tax losses not recognised	**12,357**	2,280
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,077**	(348)
Overprovision in respect of prior years	**(7,238)**	(5,744)
Income tax (credit) expense for the year	**(6)**	47,420

Details of deferred tax recognised are set out in Note 21.

13. (LOSS) PROFIT FOR THE YEAR

	2021	2020
	RMB'000	RMB'000
(Loss) profit for the year has been arrived at after charging:		
Directors' emoluments (Note 14)	**4,581**	4,711
Other staff costs:		
– salaries and other allowances	**31,129**	38,958
– retirement benefit scheme contributions	**8,045**	11,495
Total staff costs	**43,755**	55,164
Auditor's remuneration	**2,223**	2,234
Amortisation of intangible assets	**10,630**	9,454
Depreciation of property, plant and equipment	**18,842**	17,901
Depreciation of right-of-use assets	**6,473**	9,115
Cost of inventories recognised as expenses (included in cost of sales and services provided)	**2,135,467**	4,322,630
Write-off of inventories	**2,408,511**	–
Expenses on short-term leases in respect of office premises and retail shops	**5,125**	4,474
Pollutant handling fees (included in other expenses)	**1,454**	3,302

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

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Directors' and Chief Executive's emoluments

	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2021				
Executive directors				
Mr. Chen Wantian	–	1,127	13	1,140
Mr. Song Guosheng	–	1,702	13	1,715
Mr. Liu Jiandong	–	1,215	13	1,228
	–	4,044	39	4,083

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2021				
Independent non-executive directors				
Dr. Li Haitao	166	–	–	166
Dr. Zeng Yilong	166	–	–	166
Mr. Song Hongbing	166	–	–	166
	498	–	–	498
Total	498	4,044	39	4,581

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

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' and Chief Executive's emoluments (Continued)

	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2020				
Executive directors				
Mr. Chen Wantian	–	1,198	1	1,199
Mr. Song Guosheng	–	1,761	1	1,762
Mr. Liu Jiandong	–	1,215	1	1,216
	–	4,174	3	4,177

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2020				
Independent non-executive directors				
Dr. Li Haitao	178	–	–	178
Dr. Zeng Yilong	178	–	–	178
Mr. Song Hongbing	178	–	–	178
	534	–	–	534
Total	534	4,174	3	4,711

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

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

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

	2021 RMB'000	2020 RMB'000
Salaries and allowances	976	1,046
Retirement benefits scheme contributions	30	32
Share-based payments	–	–
	1,006	1,078

Their emoluments were within the following band:

	2021 Number of employees	2020 Number of employees
Nil to HK$1,000,000	2	2

No emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during both years. None of the directors of the Company waived or agreed to waive any emolument during both years.

15. 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.

16. (LOSS) EARNINGS PER SHARE

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

	2021	2020
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share (RMB'000)	**(2,412,925)**	227,502
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share (in thousand)	**1,628,401**	1,627,802
Effects of dilutive potential ordinary shares:		
– Share options of the Company (in thousand)	**–**	225
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share (in thousand)	**1,628,401**	1,628,027

For the year ended 31 December 2021, the computation of diluted loss per share does not assume the exercise of the Company's outstanding options because the effect of exercise of these options was anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2020	17,867	142,150	119,384	14,666	15,588	974	310,629
Additions	1,192	–	3,229	585	553	16,458	22,017
Disposals	–	–	–	(4)	–	–	(4)
Transfer	–	3,411	–	–	–	(3,411)	–
Disposal of a subsidiary	–	–	–	(144)	–	–	(144)
At 31 December 2020	19,059	145,561	122,613	15,103	16,141	14,021	332,498
Additions	**15,504**	**–**	**7,885**	**2,189**	**119**	**2,963**	**28,660**
Transfer	**–**	**11,303**	**2,718**	**–**	**–**	**(14,021)**	**–**
Written off and disposals	**(1,175)**	**(11,323)**	**(53,646)**	**(4,844)**	**(2,276)**	**–**	**(73,264)**
At 31 December 2021	**33,388**	**145,541**	**79,570**	**12,448**	**13,984**	**2,963**	**287,894**
DEPRECIATION							
At 1 January 2020	10,973	59,015	75,646	11,746	10,255	–	167,635
Provided for the year	2,710	6,220	6,383	1,085	1,503	–	17,901
Disposals	–	–	–	(4)	–	–	(4)
Eliminated on disposal of a subsidiary	–	–	–	(66)	–	–	(66)
At 31 December 2020	13,683	65,235	82,029	12,761	11,758	–	185,466
Provided for the year	**4,345**	**6,354**	**6,147**	**711**	**1,285**	**–**	**18,842**
Written off and disposals	**(137)**	**(6,670)**	**(44,920)**	**(4,316)**	**(2,161)**	**–**	**(58,204)**
At 31 December 2021	**17,891**	**64,919**	**43,256**	**9,156**	**10,882**	**–**	**146,104**
CARRYING VALUES							
At 31 December 2021	**15,497**	**80,622**	**36,314**	**3,292**	**3,102**	**2,963**	**141,790**
At 31 December 2020	5,376	80,326	40,584	2,342	4,383	14,021	147,032

The Group's buildings are erected on land held under medium-term land use rights in the PRC.

Other than construction in progress, the above items of property, plant and equipment, after taking into account their estimated residual values, are depreciated on a straight-line method, at the following useful lives or at the following rates per annum:

Leasehold improvements	5 years or the term of the relevant land lease, whichever is shorter
Buildings	20 years or the term of the relevant land lease, whichever is shorter
Plant and machinery	10%
Office equipment	20%
Motor vehicles	20%

The Group has pledged buildings with a carrying value of approximately RMB60,949,000 (2020: RMB66,506,000) to secure general banking facilities set out in Notes 31 and 37.

The Group has pledged the machinery with a carrying value of approximately RMB6,466,000 (2020: RMB15,934,000) to secure general banking facilities and bills payables set out in Notes 27, 31 and 37.

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment testing on property, plant and equipment, right of use assets, intangible assets and other non-current asset within the Manufacturing segment

As at 31 December 2021, for the purposes of impairment testing, property, plant and equipment with carrying amount of RMB121,438,000 (2020: RMB137,279,000), right of use assets with carrying amount of RMB16,392,000 (2020: RMB16,827,000), intangible assets with carrying amount of RMB4,211,000 (2020: RMB4,573,000), deposit paid for acquisition of property, plant and equipment with carrying amount of RMB1,201,000 (2020: RMB5,522,000) as set out above have been allocated to a cash-generating unit, Manufacturing segment.

The recoverable amount of this unit has been determined by the management based on the cash flows of this CGU discounted to its present value.

As at 31 December 2021, the value in use calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period using a pre-tax discount rate of 17.3%. The cash flows beyond the 5-year period are extrapolated using a steady growth rate of 2.0%. This growth rate is based on the global economic growth rate and is the directors' best estimate on the average growth rate of this specific industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and operating expenses, such estimation is based on the past performance and management's expectations for the market development.

During the year ended 31 December 2021, the management assessed the recoverable amount of cash-generating unit was higher than its carrying amount. No impairment loss was identified for property, plant and equipment, right of use assets, intangible assets and a deposit paid for acquisition of property, plant and equipment.

18. RIGHT-OF-USE ASSETS

	Leased properties RMB'000 (Note i)	Leasehold land RMB'000 (Notes ii and iii)	Total RMB'000
As at 31 December 2021			
Carrying amount	**7,385**	**16,392**	**23,777**
As at 31 December 2020			
Carrying amount	8,688	16,827	25,515
For the year ended 31 December 2021			
Depreciation charge	**6,038**	**435**	**6,473**
Expenses relating to			
– short-term leases	**5,125**	**–**	**5,125**
Total cash outflow for leases	**10,706**	**–**	**10,706**
Additions to right-of-use assets	**9,707**	**–**	**9,707**
For the year ended 31 December 2020			
Depreciation charge	8,680	435	9,115
Expenses relating to			
– short-term leases	4,474	–	4,474
Total cash outflow for leases	13,121	–	13,121
Additions to right-of-use assets	9,754	–	9,754

Notes:

(i) The Group leases office premises, showrooms, warehouses and retail shops for its operations. Majority of lease contracts are entered into for lease term of one to five years (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 term 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.

(ii) During the year ended 31 December 2021, the Group has pledged leasehold land with a carrying value of RMB16,326,000 to secure general banking facilities granted to the Group set out in Notes 31 and 37.

(iii) In addition, the Group owns office buildings and several industrial buildings where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably. Respective building components of these owned properties are classified under property, plant and equipment set out in Note 17.

(iv) Details of impairment assessment of property, plant and equipment, right of use asset, intangible assets and other non-current asset allocated to Manufacturing segment are set out in Note 17.

18. RIGHT-OF-USE ASSETS (Continued)

The Group regularly entered into short-term leases for office promises and 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 expenses as disclosed above.

Rent concessions

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 7).

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

19. GOODWILL

	RMB'000
COST	
At 1 January 2020, 31 December 2020 and 31 December 2021	**407,321**
IMPAIRMENT	
At 1 January 2020, 31 December 2020 and 31 December 2021	**407,321**
CARRYING VALUES	
At 31 December 2020 and 31 December 2021	**–**

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation performed by an independent professional qualified valuer not connected with the Group.

For the year ended 31 December 2020 and 31 December 2021, the management assessed the recoverable amount of cash-generating unit was higher than its carrying amount. No further impairment loss on assets within the cash-generating unit of the Silver Exchange segment was recognised during the year ended 31 December 2020 and 31 December 2021 and details of the impairment assessment is set out in Note 20.

20. INTANGIBLE ASSETS

	Patent RMB'000 (Note i)	System software RMB'000 (Note ii)	Customer relationship RMB'000 (Note iii)	Trademarks RMB'000 (Note iv)	Licence RMB'000 (Note v)	Total RMB'000
COST						
At 1 January 2020	6,000	28,828	78,363	34,679	1,800	149,670
Additions	–	39,834	–	–	–	39,834
Disposals of a subsidiary (Note 40)	–	(17,906)	–	–	–	(17,906)
At 31 December 2020	6,000	50,756	78,363	34,679	1,800	171,598
Additions	**–**	**6,900**	**–**	**–**	**–**	**6,900**
At 31 December 2021	**6,000**	**57,656**	**78,363**	**34,679**	**1,800**	**178,498**
AMORTISATION AND IMPAIRMENT						
At 1 January 2020	2,865	26,021	31,634	686	–	61,206
Provided for the year	362	1,412	7,680	–	–	9,454
At 31 December 2020	3,227	27,433	39,314	686	–	70,660
Provided for the year	**362**	**2,587**	**7,681**	**–**	**–**	**10,630**
At 31 December 2021	**3,589**	**30,020**	**46,995**	**686**	**–**	**81,290**
CARRYING VALUES						
At 31 December 2021	**2,411**	**27,636**	**31,368**	**33,993**	**1,800**	**97,208**
At 31 December 2020	2,773	23,323	39,049	33,993	1,800	100,938

20. INTANGIBLE ASSETS (Continued)

Notes:

(i) The intangible asset represents a patent acquired for certain production techniques with a registered life up to August 2028. The intangible asset is amortised on a straight-line basis over the remaining useful life, i.e. 9.7 years.

(ii) System software represents software acquired for online trading and exchange platform and is stated at cost less accumulated amortisation and any accumulated impairment losses. The system software is amortised on a straight-line basis over a period of 2 to 10 years.

(iii) Customer relationship associated with the provision of professional electronic silver trading platform services is purchased as part of a business combination in 2016. The fair value at the date of acquisition was determined by the external valuer using business valuation technique which involves estimation of profits attributable to the customer relationships and discount rate to derive the value. Customer relationship is amortised on a straight-line basis over its estimated useful life of 10 years.

(iv) Trademarks acquired as part of a business combination under Silver Exchange segment have a legal life of 10 years and are renewable upon expiry. The fair value at the date of acquisition was determined by the external valuer by discounting the future after-tax royalty attributable to the trademarks to present value using a discount rate. The directors of the Company are of the opinion that the Group will renew the trademarks continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflow for the Group.

As a result, the trademarks are considered by the directors of the Company as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

(v) The directors of the Company are of the opinion that the Group will renew the licence acquired through acquisition of a subsidiary in prior year continuously and has the ability to do so at minimal cost. Various studies including market and competitive and environment trends have been performed by management of the Group, which supports that the licence has no foreseeable limit to the period over which it is expected to generate net cash inflow for the Group.

As a result, the licence is considered by the directors of the Company as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The licence will not be amortised until their useful lives are determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired, to the extent that the carrying amount of the licence exceeds its recoverable amount. The recoverable amount of the licence has been determined based on the higher of value in use and fair value less cost to disposal. The management determines the recoverable amounts using the recent market transaction prices of the licence which far exceeds the carrying amount of the licence for both accounting years. The management therefore determines that during the years ended 31 December 2021 and 2020, there is no impairment identified on the licence and any reasonably possible change in the market transaction price would not cause the aggregate carrying amount of the licence to exceed its recoverable amount.

(vi) Details of impairment assessment of property, plant and equipment, right of use asset, intangible assets and other non-current asset allocated to Manufacturing segment are set out in Note 17.

20. INTANGIBLE ASSETS (Continued)

Impairment testing on intangible assets within the Silver Exchange segment

As at 31 December 2021, for the purposes of impairment testing, trademarks with indefinite useful lives with carrying amount of RMB33,993,000 (2020: RMB33,993,000), net of impairment loss of RMB686,000 (2020: RMB686,000), customer relationship with definite useful life with carrying amount of RMB31,368,000 (2020: RMB39,049,000), net of impairment loss of RMB943,000 (2020: RMB943,000) arising on business combinations and certain system software with carrying amount of RMB27,636,000 (2020: RMB23,323,000), net of impairment loss of RMB51,000 (2020: RMB51,000) as set out above have been allocated to a cash-generating unit, Silver Exchange segment.

The recoverable amount of this unit has been determined based on a value in use calculation performed by an independent professional qualified valuer not connected with the Group.

As at 31 December 2021, the value in use calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period using a pre-tax discount rate of 23.4% (2020: 23.4%). The cash flows beyond the 5-year period are extrapolated using a steady growth rate of 2.0% (2020: 2.0%). This growth rate is based on the global economic growth rate and is the directors' best estimate on the average growth rate of this specific industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and operating expenses, such estimation is based on the past performance and management's expectations for the market development.

During the year ended 31 December 2021, the management assessed the recoverable amount of cash-generating unit was higher than its carrying amount. No impairment loss was identified for trademarks with indefinite useful lives, customer relationship with definite useful life and system software. If there is a significant adverse change in the key assumptions, it may be necessary to have an impairment charge to the income statement. With all other variables held constant, if there was decrease in projected revenue by 10% (2020: 10%) throughout the forecast period, the recoverable amount would be still higher than (2020: higher than) their carrying amount. Similarly, with all other variables held constant, if there was a decrease in projected revenue by 30% (2020: 30%) the recoverable amount would be still higher than their carrying amount.

21. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 **RMB'000**	2020 RMB'000
Deferred tax assets	**8,626**	15,966
Deferred tax liabilities	**(9,803)**	(18,260)
	(1,177)	(2,294)

21. DEFERRED TAXATION (Continued)

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

	Deferred income RMB'000	Unrealised profit RMB'000	ECL provision RMB'000	Fair value adjustments on business combination RMB'000	Total RMB'000
At 1 January 2020	1,415	5,341	–	(20,586)	(13,830)
Credit to profit or loss	2,864	1,992	4,354	2,326	11,536
At 31 December 2020	4,279	7,333	4,354	(18,260)	(2,294)
(Charge) credit to profit or loss	**(229)**	**(4,427)**	**(2,684)**	**8,457**	**1,117**
At 31 December 2021	**4,050**	**2,906**	**1,670**	**(9,803)**	**(1,177)**

At the end of the reporting period, the Group has unused tax losses arising in Hong Kong of Hong Kong dollar ("**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 recognized 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 RMB70,899,000 (2020: RMB30,165,000) available for offset against future profits that will expire in various dates in next five years (2020: five years). No deferred tax asset has been recognized 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 from 1 January 2008 onwards. 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 approximately RMB782.3 million as at 31 December 2021 (2020: RMB2,355.6 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. EQUITY INSTRUMENT AT FVTOCI

	2021 RMB'000	2020 RMB'000
Unlisted equity interest (Note)	**7,377**	7,407

Note: The above unlisted equity investment represents the Group's 18% (2020: 18%) equity interest in Huatong International established in the PRC. The principal activities of Huatong International is the provision of trading platform and related supportive service for trading of precious metals. The directors of the Company have elected to designate this investments in equity instrument as at FVTOCI as this investment is not held for trading and not expected to be sold in the foreseeable future.

23. DEPOSITS PAID ON ACQUISITION OF NON-CURRENT ASSETS

	2021 RMB'000	2020 RMB'000
Deposits paid on acquisition of intangible assets (Note i)	–	12,959
Deposits paid on acquisition of property, plant and equipment (Note ii)	**1,294**	6,790
	1,294	19,749

Notes:

i. The amount represents deposits paid by the Group in relation with the acquisition of system software for online exchange platform under Silver Exchange segment.

ii. The amount represents deposits paid by the Group in relation with the acquisition of plant and equipment under Manufacturing and New Jewellery Retail segments. The unsettled amount is disclosed as capital commitments in Note 41.

24. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials (Note)	**524,867**	1,802,955
Work in progress	**–**	89,920
Finished goods	**529,287**	684,708
	1,054,154	2,577,583

Note: As at 31 December 2021, the carrying amounts of raw materials aged less than 1 year and over 1 year are RMB524,626,000 (2020: RMB1,011,481,000) and RMB241,000 (2020: RMB791,474,000), respectively.

During the year, certain of Jiangxi Longtianyong's inventory of raw materials with an amount of RMB2,408,511,000 which was previously being refined for production purposes was deemed to be hazardous waste pursuant to the two administrative penalty notices and a rectification notices (collectively, the "**Notices**") issued by the Ji'an City Yongfeng Ecology and Environment Bureau（吉安市永豐生態環境局）and ordered to be disposed of. As a result, there was a write-off of inventories of RMB2,408,511,000, penalties imposed from the Notices of RMB1,454,000 and costs incurred for disposal of the relevant inventories being written off of RMB3,164,000, all of these have been recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2021. Details of which are set out in the Company's announcement dated 7 June 2021.

As at 31 December 2020, the Group has pledged inventories with a carrying value of RMB270,859,000 to secure general banking facilities granted to the Group and all such inventories were released from the 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.

25. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables for contracts with customers (Note i)	**35,524**	115,710
Less: allowance for credit losses	**(12,018)**	(21,022)
	23,506	94,688
Other receivables, deposits and prepayments	**17,187**	17,521
Prepayments to suppliers (Note ii)	**3,802**	76,763
Amount due from a former subsidiary, Shenzhen Yunpeng	–	19,499
Value-added tax ("**VAT**") recoverable	**24,540**	28,587
VAT rebate receivable (Notes i and iii)	–	41,822
Other receivable arising from termination of assignment contract of a land use right from the PRC government (Note iv)	–	25,275
	69,035	304,155

Notes:

i. During the year ended 31 December 2020, the Group pledged trade receivables with a carrying value of RMB75,000,000 and VAT rebate receivable with a carrying value of RMB41,822,000 to secure banking facilities of the Group set out in Notes 31 and 37. Such trade receivable and VAT rebate receivable were released from the pledge during the year ended 31 December 2021.

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

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

iv. In September 2018, Huzhou Baiyin Property Co., Ltd. (湖州白銀置業有限公司) ("**Huzhou Baiyin**"), an indirect non wholly-owned subsidiary of the Group entered into an assignment contract (the "**Contract**") with Huzhou South Taihu New District Management Committee (the "**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 non 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 27(iv). 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.

25. TRADE AND OTHER RECEIVABLES (Continued)

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

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB364,468,000 net of allowance for credit losses of RMB10,557,000.

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**	41,788
31 – 60 days	**1,981**	42,972
61 – 90 days	**1,061**	1,789
Over 90 days	**1,932**	8,139
	23,506	94,688

As at 31 December 2021, included in the Group's trade receivables, net of allowance of credit losses, were debtors with an aggregate carrying amount of RMB12,436,000 (2020: RMB47,129,000) which were past due as at the reporting date. Out of the past due balances, RMB1,367,000 (2020: RMB8,104,000) 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 receivables, other receivables and refundable deposits are set out in Note 39.

26. RESTRICTED BANK BALANCES/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

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

As at 31 December 2021, pledged bank deposits amounting to RMB40,000,000 (2020: RMB47,000,000) carry a fixed interest rate of 1.5% per annum and represent deposits pledged to a bank to secure bills payables (see Note 27) of the Group. Another deposit amounting to nil (2020: RMB8,000) carry a fixed interest rate of 0.35% per annum represent a deposit pledged to another bank to secure short-term bank borrowings (see Note 31) drawn by the Group. The bills payables and bank borrowings are due for repayment within one year from the end of the reporting period, and thus the pledged bank deposits are classified as current assets.

Bank balances and cash of the Group comprise cash and short-term bank deposits with maturity of three months or less. The restricted bank balances, pledged bank deposits and bank balances carry interest at prevailing market rates as follows:

	2021	2020
Range of interest rates per annum		
Restricted bank balances and bank balances	**0.001%–0.350%**	0.001%-0.350%
Pledged bank deposits	**0.35%–1.50%**	0.35%-1.50%

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

	2021 **RMB'000**	2020 RMB'000
United States dollar	**7**	2
Hong Kong dollar	**955**	1,128
European dollar	**55**	57
	1,017	1,187

27. TRADE, BILLS AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**32,231**	131,043
Other payables and accrued expenses (Note i)	**72,037**	59,305
Bills payables (Note ii)	**80,000**	94,000
Deposits received for using the silver exchange platform	**100,415**	76,370
Amount due to Huatong International (Note iii)	**19,278**	19,373
VAT and other tax payables	**10,540**	95,899
Provision for restoration cost for environment in Jiangxi Longtianyong	**12,626**	12,626
Customer receipts in advance	**–**	1,864
Provision for termination of assignment contracts (Note iv below and Note 25(iv))	**8,222**	39,103
	335,349	529,583

Notes:

i. Included in the other payables are payables for office leasehold improvement amounting to RMB14,767,000 (2020: nil), interest payables amounting to RMB354,000 (2020: RMB363,000) and amounts due to third parties amounting to RMB8,250,000 (2020: RMB8,250,000).

ii. As at 31 December 2021, bills payables amounting to RMB40,000,000 (2020: RMB47,000,000) are secured by pledged bank deposits of RMB40,000,000 (see Note 26) (2020: RMB47,000,000). The remaining bills payables amounting to RMB40,000,000 (2020: RMB47,000,000) are secured by machinery with a carrying value of approximately RMB6,466,000 (see Note 17) (2020: RMB15,934,000). All bills payables are issued to a supplier of the Manufacturing segment which have been repaid in February 2022 (2020: February 2021). In addition, for the bill payables as at 31 December 2021 were secured by personal guarantees executed by Mr. Chen Wantian (a director of the Company). Subsequent to the year ended 31 December 2021, the bills payables are fully settled by the Group and the pledged bank deposits and the pledge of machinery are released.

iii. Huatong International is a company which the Group held 18% equity interest and accounted for as equity investment at FVTOCI. The amount was non-trade in nature, unsecured, interest-free and repayable on demand.

iv. 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 25(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 Jiefeng Geotechnical amounted to RMB20,650,000 was fully repaid. Mr. Chen Wantian, a director of the Company, is also a director (out of 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 based on the invoice dates at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
0 – 30 days	**10,242**	103,517
31 – 60 days	**–**	9,896
61 – 90 days	**917**	347
Over 90 days	**21,072**	17,283
	32,231	131,043

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

28. 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 loans 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 settle 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 ended of 31 December 2020 and have been repaid during the year ended 31 December 2021.

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

Details of the Group's assets pledged to secure above trade loans and the related non-cash transactions are set out in Notes 37 and 42 respectively.

29. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	3,965	6,659
Within a period of more than one year but not more than two years	2,759	2,114
Within a period of more than two years but not more than five years	1,619	–
	8,343	8,773
Less: Amounts due for settlement within 12 months shown under current liabilities	(3,965)	(6,659)
Amounts due for settlement after 12 months shown under non-current liabilities	4,378	2,114

29. LEASE LIABILITIES (Continued)

The weighted average incremental borrowing rates applied to lease liabilities is 4.66% (2020: 4.41%) per annum for the year ended 31 December 2021.

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	**738**	1,312

30. CONTRACT LIABILITIES

	2021 **RMB'000**	2020 RMB'000
Amounts received in advance for sales of silver ingots, palladium, lead, non-ferrous metals and jewellery products	**19,531**	53,284

As at 1 January 2020, contract liabilities amounted to RMB57,653,000.

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	**53,284**	57,653

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

The Group receives 30% to 100% of the contract value as amounts from customers when the sale order is issued. The entire amount of contract liabilities will be recognised as revenue when the customers obtained the control of silver ingots, palladium, lead, other non-ferrous metals and jewellery products.

31. BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
Secured bank borrowing carrying interest at fixed rate, repayable within one year and without a repayment on demand clause	**230,000**	202,000
Secured bank borrowing carrying interest at floating rate, repayable within one year and without a repayment on demand clause	–	3,000
	230,000	205,000

The effective interest rate of the Group's bank borrowings (which is also equal to contracted interest rate) during the year is as follows:

	2021	2020
Effective interest rate per annum	**5.31%**	5.80%

The bank borrowings were secured by leasehold land, building and machinery with aggregate carrying amount of RMB16,326,000, RMB60,949,000 and RMB6,466,000 (2020: building, machinery, inventories, trade receivables, VAT rebate receivable and pledged bank deposits, with aggregate carrying amount of RMB66,506,000, RMB15,934,000, RMB270,859,000, RMB75,000,000, RMB41,822,000 and RMB8,000), as disclosed in Notes 18, 17, 24, 25 and 26 respectively.

The total banking facility granted to the Group amounted to RMB230,000,000 (2020: RMB215,000,000) of which RMB230,000,000 (2020: RMB205,000,000) were utilised.

Included in the balances, Jiangxi Longtianyong has an amount of RMB210,000,000 (2020: RMB25,500,000) with personal guarantees given by Mr. Chen Wantian, a director of the Company and his spouse.

Details of the Group's assets pledged to secure above bank borrowings are set out in Note 37.

32. SHARE CAPITAL OF THE COMPANY

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

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

33. DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Government subsidies (Note)	**16,084**	17,106
Analysed for reporting purposes as:		
Current	**2,182**	2,066
Non-current	**13,902**	15,040
	16,084	17,106

Note: The amount represents three government subsidies, including a subsidy of RMB1,160,000 received during the year ended 31 December 2021 and a subsidy of RMB13,520,000 received during 31 December 2020 by Shanghai Huatong, both with a condition that Shanghai Hautong continues its operation in Putuo District, Shanghai for at least 10 years. During the year ended 31 December 2021, an amount of RMB1,468,000 (2020: RMB1,352,000) was recognised as other income.

Another government subsidy of RMB10,000,000 was received in prior year in respect of the Group's investment in a project for comprehensive use of scarce metal resources in the form of certain property, plant and equipment. The government subsidy has been recognised as income over the useful lives of the related assets upon the fulfilment of the conditions stated by the respective authority in 2013. During the year ended 31 December 2021, an amount of RMB715,000 (2020: RMB715,000) was recognised as other income.

34. SHARE OPTION SCHEME

(I) The Scheme

(a) The principal terms of the Company's share option scheme adopted on 5 December 2012 (the "**Scheme**") are set out below.

The Scheme was adopted pursuant to a resolution passed on 5 December 2012 for the primary purpose of providing incentives to eligible directors and employees, and will expire on 2 July 2023. Under the Scheme, the board of directors of the Company may grant options to consultants and eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by the directors of the Company and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 as consideration.

34. SHARE OPTION SCHEME (Continued)

(I) The Scheme (Continued)

(b) The number of shares in respect of which options had been granted and remained outstanding under the Scheme was 70,950,000 (2020: 72,150,000), representing 4.36% (2020: 4.43%) of the shares of the Company in issue at 31 December 2021.

The following table discloses movements of Company's options under the Scheme held by the Group's directors, employees and consultants during the current and prior years:

Date of grant	Exercise price per share HK$	Outstanding at 1.1.2021	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2021
3 July 2013	0.96	2,450,000	–	–	2,450,000
20 August 2014	2.20	24,900,000	–	(1,200,000)	23,700,000
2 January 2015	1.80	44,800,000	–	–	44,800,000
		72,150,000	–	(1,200,000)	70,950,000
Exercisable at 1 January 2021		72,150,000			
Exercisable at 31 December 2021					70,950,000
Weighted average exercise price		HK$1.91	–	HK$2.20	HK$1.90

Date of grant	Exercise price per share HK$	Outstanding at 1.1.2020	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2020
3 July 2013	0.96	3,500,000	(1,050,000)	–	2,450,000
20 August 2014	2.20	24,900,000	–	–	24,900,000
2 January 2015	1.80	44,800,000	–	–	44,800,000
		73,200,000	(1,050,000)	–	72,150,000
Exercisable at 1 January 2020		73,200,000			
Exercisable at 31 December 2020					72,150,000
Weighted average exercise price		HK$1.90	HK$0.96	–	HK$1.91

34. SHARE OPTION SCHEME (Continued)

(I) The Scheme (Continued)

(b) (Continued)

No share option under the Scheme was exercised during the year ended 31 December 2021. In respect of the share option exercised for the year ended 31 December 2020, the weighted average share price at the dates of exercise was HK$1.00.

The 2,450,000 outstanding share options granted on 3 July 2013 with the exercise price of HK$0.96 per share are exercisable during the period from 3 July 2015 to 2 July 2023 in two batches, being:

- 3 July 2015 to 2 July 2023 (1,050,000 outstanding share options granted are exercisable)
- 3 July 2016 to 2 July 2023 (1,400,000 outstanding share options granted are exercisable)

The 23,700,000 outstanding share options granted on 20 August 2014 with the exercise price of HK$2.20 per share are exercisable during the period from 20 August 2015 to 19 August 2024 in three batches, being:

- 20 August 2015 to 19 August 2024 (7,110,000 outstanding share options granted are exercisable)
- 20 August 2016 to 19 August 2024 (7,110,000 outstanding share options granted are exercisable)
- 20 August 2017 to 19 August 2024 (9,480,000 outstanding share options granted are exercisable)

The 44,800,000 outstanding share options granted on 2 January 2015 with the exercise price of HK$1.80 per share are exercisable during the period from 2 January 2016 to 1 January 2025 in three batches, being:

- 2 January 2016 to 1 January 2025 (13,440,000 outstanding share options granted are exercisable)
- 2 January 2017 to 1 January 2025 (13,440,000 outstanding share options granted are exercisable)
- 2 January 2018 to 1 January 2025 (17,920,000 outstanding share options granted are exercisable)

The closing prices of the Company's shares immediately before 3 July 2013, 20 August 2014 and 2 January 2015, the dates of grant, were HK$0.96, HK$2.20 and HK$1.80 respectively.

The following table discloses movements of the Company's share options held by directors, employees and a consultant under the Scheme during the current and prior years:

Eligible participants	Outstanding at 1.1.2021	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2021
Directors	5,150,000	–	–	5,150,000
Employees	62,000,000	–	(1,200,000)	60,800,000
Consultant	5,000,000	–	–	5,000,000
	72,150,000	–	(1,200,000)	70,950,000
Exercisable at 1 January 2021	72,150,000			
Exercisable at 31 December 2021				70,950,000

34. SHARE OPTION SCHEME (Continued)

(I) The Scheme (Continued)

(b) (Continued)

Eligible participants	Outstanding at 1.1.2020	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2020
Directors	6,200,000	(1,050,000)	–	5,150,000
Employees	62,000,000	–	–	62,000,000
Consultant	5,000,000	–	–	5,000,000
	73,200,000	(1,050,000)	–	72,150,000
Exercisable at 1 January 2020	73,200,000			
Exercisable at 31 December 2020				72,150,000

(c) During the years ended 31 December 2021 and 2020, no expense is recognised in relation to share options granted by the Company under the Scheme.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

(II) The New Scheme

(a) The principal terms of the Company's new share option scheme adopted on 21 April 2015 (the "**New Scheme**") are set out below.

The New Scheme was adopted pursuant to a resolution passed on 21 April 2015 for the primary purpose of providing incentives to eligible directors and employees, and will expire on 26 August 2025. Under the New Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by the directors of the Company and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 as consideration.

34. SHARE OPTION SCHEME (Continued)

(II) The New Scheme (Continued)

(b) The number of shares in respect of which options had been granted and remained outstanding under the New Scheme was 81,000,000 (2020: 81,000,000), representing 4.97% (2020: 4.97%) of the shares of the Company in issue at 31 December 2021.

The following table discloses movements of the Company's options under the New Scheme held by the Group's employees during the current and prior years:

Date of grant	Exercise price per share HK$	Outstanding at 1.1.2021	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2021
27 August 2015	**1.97**	**81,000,000**	**–**	**–**	**81,000,000**
Exercisable at 1 January 2021		**81,000,000**			
Exercisable at 31 December 2021					**81,000,000**
Weighted average exercise price		**HK$1.97**			**HK$1.97**

Date of grant	Exercise price per share HK$	Outstanding at 1.1.2020	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2020
27 August 2015	1.97	81,000,000	–	–	81,000,000
Exercisable at 1 January 2020		81,000,000			
Exercisable at 31 December 2020					81,000,000
Weighted average exercise price		HK$1.97			HK$1.97

No share option under the New Scheme was exercised during the year ended 31 December 2021 and 2020.

The 81,000,000 outstanding share options granted on 27 August 2015 with the exercise price of HK$1.97 per share are exercisable during the period from 27 August 2016 to 26 August 2025 in two batches, being:

- 27 August 2016 to 26 August 2025 (40,500,000 outstanding share options granted are exercisable)
- 27 August 2017 to 26 August 2025 (40,500,000 outstanding share options granted are exercisable)

The closing prices of the Company's shares immediately before 27 August 2015 was HK$1.87.

(c) No expense was recognised for the years ended 31 December 2021 and 2020 in relation to share options granted by the Company under the New Scheme.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

35. RETIREMENT BENEFITS PLAN

The Group participates in a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong 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 rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the local government in the PRC. The Group is required to contribute a specified percentage of the payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this scheme is to make the specified contributions.

The total expense recognised in profit or loss amounting to RMB8,084,000 (2020: RMB11,498,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

36. RELATED PARTY DISCLOSURES

Saved as disclosed elsewhere in the consolidated financial statements, related parties disclosures are as follows:

Guarantee by related parties in support of a loan facility from a financial institution

During the year ended 31 December 2021, Jiangxi Longtianyong, a wholly-owned subsidiary of the Group obtained a bank borrowing of RMB210,000,000 (2020: a bank borrowing of RMB25,500,000) and bills payable of RMB80,000,000 (2020: nil) with personal guarantees given by Mr. Chen Wantian, a director of the Company and his spouse.

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
Short-term benefits	**5,140**	5,349
Post-employment benefits	**68**	35
	5,208	5,384

The remuneration of directors is determined by the remuneration committee having 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 bills payables, trade loans and bank borrowings.

	2021 RMB'000	2020 RMB'000
Property, plant and equipment	**67,415**	82,440
Leasehold land (included in right-of-use assets)	**16,326**	–
Inventories	**–**	270,859
Trade receivables	**–**	75,000
Pledged bank deposits	**40,000**	47,008
VAT rebate receivable	**–**	41,822
	123,741	517,129

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

38. 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 shareholders 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 amount due to Huatong International, bills payable, trade loan, lease liabilities and bank borrowings as disclosed in Notes 27, 28, 29 and 31, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising 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.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 **RMB'000**	2020 RMB'000
Financial assets		
Financial assets at amortised cost	**489,297**	1,465,009
Equity instrument at FVTOCI	**7,377**	7,407
Financial liabilities		
Amortised cost	**470,175**	565,512
Lease liabilities	**8,343**	8,773

(b) Financial risk management objectives and policies

The Group's financial instruments include equity instrument at FVTOCI, trade and other receivables, refundable rental deposits, restricted bank balances, pledged bank deposits, bank balances and cash, trade, bills and other payables, trade loans, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price 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.

39. FINANCIAL INSTRUMENTS (Continued)

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

Market risk

Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets (i.e. bank balances and cash and trade receivables) and monetary liabilities (i.e. other payables and lease liabilities) 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	**1,678**	1,847	**1,222**	4,248
United States dollar	**7**	1,885	**–**	–

The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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 rate.

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 positive/negative number below indicates a decrease/an increase in post-tax loss (2020: an increase/a decrease 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 or loss.

	Hong Kong dollar		United States dollar	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Post-tax loss (2020: post-tax profit)	**17**	(90)	**–**	71

39. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate pledged bank deposits, fixed-rate trade loans, lease liabilities and bank borrowings (see Notes 26, 28, 29 and 31 for details, respectively).

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate restricted bank balances and bank balances (see Note 26 for details).

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate restricted bank balances and bank balances at the end of the reporting period. The analysis is prepared assuming the bank balances outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2020: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2020: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2021 would decrease/increase by RMB781,000 (2020: post-tax profit would increase/decrease by RMB2,372,000).

Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTOCI. The Group invested in unquoted equity securities for investees operating in provision of trading platform and related supportive service for trading of precious metals for long term strategic purposes which had been designated as FVTOCI. The Group has appointed a special team to regularly monitor the price risk and financial position of Huatong International.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3.

No sensitivity analysis for the decrease in equity price of equity instruments at FVTOCI is presented as the impact is insignificant as at 31 December 2021 and 2020.

Credit risk and impairment assessment

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

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

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 regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on trade receivables 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.

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

The credit risk arising from amount due from a former subsidiary, Shenzhen Yunpeng, is limited after assessing the financial background of the counterparties. The amount due from a former subsidiary, Shenzhen Yunpeng, is fully settled subsequent to the year ended 31 December 2020.

Restricted bank balances/pledged bank deposits/bank balances

The credit risks on restricted bank balances, pledged bank deposits and bank balances are limited because the counterparties are banks with good reputation.

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 86.1% (2020: 90.3%) of the total of cash and cash equivalents was deposited with two financial institution in the PRC. The directors of the Company do not expect any losses from non-performance by these counterparties.

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

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

	2021	2020
Amount due from the largest debtor as a percentage to total trade receivables	**28%**	22%
Total amount due from the five largest debtors as a percentage to total trade receivables	**59%**	63%

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

39. 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	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	25	(Note 2)	Lifetime ECL (provision matrix)	11,095		37,720	
	25	(Note 2)	Lifetime ECL (individual assessment)	17,418		77,012	
	25	Loss (Note 2)	Credit impaired	7,011	35,524	978	115,710
Refundable deposits (included in other receivables, deposits and prepayments)	25	(Note 1)	12m ECL		5,609		6,599
Other receivables	25	(Note 1)	12m ECL		2,961		27,856
Amount due from a former subsidiary, Shenzhen Yunpeng (included in other receivables)	25	(Note 1)	12m ECL		–		19,499
Restricted bank balances	26	(Note 3)	12m ECL		100,415		76,370
Pledged bank deposits	26	(Note 3)	12m ECL		40,000		47,008
Bank balances	26	(Note 3)	12m ECL		316,338		1,192,425

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Notes:

1. For refundable deposits, other receivables and amount due from a former subsidiary, Shenzhen Yunpeng, the Group measures the loss allowance equal to 12m ECL. The Group applies internal credit risk management to assess whether credit risks has increased significantly since initial recognition, in which case the Group recognises lifetime ECL. The credit risk on refundable deposits, other receivables and amount due from a former subsidiary, Shenzhen Yunpeng, is limited having considered the credit quality of the counterparties and the probability of default is negligible. Therefore, no impairment allowance is made on these balances.

2. 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 ECL on these items by using a provision matrix.

   As part of the Group's credit risk management, the Group uses debtors' ageing 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 which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

   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**	20,171	1.94%	390
1-30 days past due	**1,688**	**7.98%**	**135**	3,819	5.24%	200
31-60 days past due	**757**	**16.23%**	**123**	908	11.73%	107
61-90 days past due	**767**	**18.15%**	**139**	132	15.01%	19
More than 90 days past due	**2,453**	**72.16%**	**1,770**	12,690	52.80%	6,701
	11,095		**2,343**	37,720		7,417

   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.

   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.

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Notes: (Continued)

2. (Continued)

The following table shows reconciliation of loss allowances that has been recognised for trade receivables.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	8,429	2,128	10,557
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment losses reversed	(6,628)	(1,150)	(7,778)
– Impairment losses recognised	5,957	–	5,957
New financial assets originated			
– Impairment loss recognised	12,286	–	12,286
As at 31 December 2020	**20,044**	**978**	**21,022**
Changes due to financial instruments recognised as at 1 January 2021:			
– Transfer to credit impairment	**(3,771)**	**3,771**	**–**
– Impairment losses reversed	**(15,625)**	**(400)**	**(16,025)**
– Impairment losses recognised	**1,763**	**2,662**	**4,425**
New financial assets originated			
– Impairment loss recognised	**2,596**	**–**	**2,596**
As at 31 December 2021	**5,007**	**7,011**	**12,018**

As at 31 December 2021, impairment allowance of RMB2,343,000 (2020: RMB7,417,000) and RMB2,664,000 (2020: 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, reversal of impairment allowance of RMB400,000 (2020: RMB1,150,000) was made on credit-impaired debtors due to receipt of full repayment of respective outstanding amount.

In addition, changes in the loss allowance for credit-impaired trade receivables are mainly due to certain trade debtors with a gross carrying amount of RMB3,771,000 (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. Respective amount of impairment allowance for credit-impaired trade receivables is recognised during the years ended 31 December 2021 and 2020.

3. Restricted bank balances, pledged bank deposits and 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 as they are banks with high-credit ratings. Therefore, no impairment allowance is made on theses balances.

39. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors monitor the utilisation of bank borrowings and ensures compliance with loan covenants.

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. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

Liquidity and interest risk tables

	Weighted average effective 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	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2021								
Trade, bills and other payables	–	240,175	–	–	–	–	240,175	240,175
Lease liabilities	4.66	409	819	3,069	4,498	–	8,795	8,343
Bank borrowings – fixed rate	5.31	11,070	71,706	152,716	–	–	235,492	230,000
		251,654	72,525	155,785	4,498	–	484,462	478,518
As at 31 December 2020								
Trade, bills and other payables	–	350,512	–	–	–	–	350,512	350,512
Trade loans	5.66	10,000	–	–	–	–	10,000	10,000
Lease liabilities	4.41	677	1,326	4,907	2,140	–	9,050	8,773
Bank borrowings – fixed rate	5.80	1,028	1,895	206,241	–	–	209,164	202,000
Bank borrowings – floating rate	6.33	17	3,009	–	–	–	3,026	3,000
		362,234	6,230	211,148	2,140	–	581,752	574,285

39. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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

The Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December 2021	Fair value as at 31 December 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Equity instrument at FVTOCI	RMB7,377,000	RMB7,407,000	Level 3	Adjusted net asset approach – In this approach, the share of the net asset value has been used to capture the present value of the expected future economic benefits to be derived from the ownership of Huatong International.	For equity instrument at FVTOCI valued using net asset value without adjustment.

There was no change of fair value hierarchy during the years ended 31 December 2021 and 2020.

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 at the end of the reporting period.

40. DISPOSAL OF A SUBSIDIARY

On 28 December 2020, Shenzhen Guoyintongbao, a non wholly-owned subsidiary of the Group, 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, an indirect non 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

40. 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

41. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– Property, plant and equipment	**9,099**	15,307

42. MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions:

During the year ended 31 December 2021, 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 RMB9,707,000 (2020: RMB9,754,000) of right-of-use assets and RMB9,707,000 (2020: RMB9,754,000) of lease liabilities.

During the year ended 31 December 2021, the Group recognised the property, plant and equipment and intangible assets at the amount of RMB22,878,000 and RMB6,900,000 which were settled by deposit paid on acquisition of non-current asset and trade and other payables at the amount of RMB16,230,000 and RMB13,548,000, respectively.

During the year ended 31 December 2020, the Group entered into a reverse factoring agreement as disclosed in Note 28, trade payables amounting to RMB9,428,000 was settled by trade loans.

43. 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.

	Lease liabilities RMB'000	Bank borrowings RMB'000 (Note)	Interest payables (included in other payables) RMB'000	Amount due to Huatong International RMB'000	Amounts due to third parties (included in other payables) RMB'000	Trade loans RMB'000	Total RMB'000
At 1 January 2020	8,146	110,000	234	19,456	9,660	19,428	166,924
Financing cash flows	(8,647)	95,000	(9,329)	(83)	(1,396)	(20,000)	55,545
Finance cost recognised	391	–	9,449	–	–	1,144	10,984
New leases entered (Note 42)	9,754	–	–	–	–	–	9,754
Settlement of trade payables (Note 42)	–	–	–	–	–	9,428	9,428
COVID-19-related rent concessions	(301)	–	–	–	–	–	(301)
Early termination of leases	(570)	–	–	–	–	–	(570)
Other	–	–	–	–	(14)	–	(14)
At 31 December 2020	**8,773**	**205,000**	**354**	**19,373**	**8,250**	**10,000**	**251,750**
Financing cash flows	**(5,581)**	**25,000**	**(13,788)**	**(95)**	**–**	**(10,000)**	**(4,464)**
Finance cost recognised	**384**	**–**	**13,797**	**–**	**–**	**–**	**14,181**
New leases entered (Note 42)	**9,707**	**–**	**–**	**–**	**–**	**–**	**9,707**
Early termination of leases	**(4,940)**	**–**	**–**	**–**	**–**	**–**	**(4,940)**
At 31 December 2021	**8,343**	**230,000**	**363**	**19,278**	**8,250**	**–**	**266,234**

Note: The cash flows from bank borrowings comprise the net amount of new bank borrowings raised and repayment of bank borrowings.

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The Company has equity 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 Cayman 金貓銀貓集團有限公司	The Cayman Islands	Ordinary shares US$83,233	**40.39% (Notes iii)**	40.39% (Notes iii)	Investment holding / Hong Kong	Limited liability
China Silver Financial Group Limited 中國白銀金融集團有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Investment / Hong Kong	Limited liability
China Silver Holdings Limited 中國白銀控股有限公司	The BVI	Ordinary shares US$100,000	**100%**	100%	Investment holding / Hong Kong	Limited liability
China Silver Mining Group Limited 中國白銀礦業集團有限公司	The BVI	Ordinary shares US$50,000	**100%**	100%	Inactive / Hong Kong	Limited liability
Ultimate Deal Group Limited	The BVI	Ordinary shares US$50,000	**100%**	100%	Investment holding / Hong Kong	Limited liability
Indirectly owned						
CSMall BVI^ 金貓銀貓集團有限公司	The BVI	Ordinary shares US$83,233	**40.39% (Note iii)**	40.39% (Note iii)	Investment holding / Hong Kong	Limited liability
CSMall Holdings Limited^ 金貓銀貓控股有限公司	The BVI	Ordinary shares US$50,000	**40.39% (Note iii)**	40.39% (Note iii)	Investment holding / Hong Kong	Limited liability
China Silver Jewellery Group Limited^ 中國白銀珠寶集團有限公司	Hong Kong	Ordinary shares HK$10,000	**40.39% (Note iii)**	40.39% (Note iii)	Investment holding / Hong Kong	Limited liability
China Silver Co., Limited 中國白銀有限公司	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

44. 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	Attributable equity interest held by the Company 2020	Principal activities / place of operations	Form of company
江西吉銀實業有限公司^	The PRC	Registered capital US$99,800,000	**40.39% (Note iii)**	40.39% (Note iii)	Processing and wholesale of precious metal products / The PRC	Wholly foreign owned
國融通寶 (深圳) 融資租貸有限公司^	The PRC	Registered capital RMB200,000	**40.39% (Note iii)**	40.39% (Note iii)	Inactive / The PRC	Limited liability
Jiangxi Longtianyong	The PRC	Registered capital RMB110,000,000	**100%**	100%	Manufacture of silver, palladium, lead, and non-ferrous metals for sale / The PRC	Wholly foreign owned
Shanghai Huatong	The PRC	Registered capital RMB50,000,000	**N/A** (Note iv)**	N/A** (Note iv)	Provision of professional electronic platform and related services for trading of silver ingots / The PRC	Limited liability
Shenzhen Guojintongbao Company Limited ("**Shenzhen Guojintongbao**") 深圳國金通寶有限公司^	The PRC	Registered capital RMB50,000,000#	**40.39% (Note iii)**	40.39% (Note iii)	Investment holding[α] / The PRC	Limited liability
Shenzhen Guoyintongbao^	The PRC	Registered capital RMB500,000,000	**40.39% (Note iii)**	40.39% (Note iii)	Online and offline retail of jewellery products and operation of self-owned stores / The PRC	Wholly foreign owned
Systematic Development Limited	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Investment holding / Hong Kong	Limited liability
Tongsheng	The PRC	Registered capital RMB50,000,000	**40%**	40% (Note v)	Money lending / The PRC	Limited liability
新疆富銀白銀能源科技有限公司	The PRC	Registered capital RMB100,000,000	**100%**	100%	Provision of energy technology promotion and consultation service[α] / The PRC	Limited liability

44. 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	Attributable equity interest held by the Company 2020	Principal activities / place of operations	Form of company
溫州銀通經濟信息諮詢有限公司	The PRC	Registered capital RMB1,000,000	**100%**	100%	Inactive / The PRC	Wholly foreign owned
浙江富銀白銀有限公司	The PRC	Registered capital US$20,000,000	**100%**	100%	Investment holding and trading of silver ingots / The PRC	Wholly foreign owned
景寧畲銀文化有限公司^	The PRC	Registered capital RMB10,000,000#	**40.39% (Note iii)**	40.39% (Note iii)	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^ ("**Baiyin Town**")	The PRC	Registered capital RMB100,000,000#	**40.39% (Note iii)**	40.39% (Note iii)	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	**40.39% (Note iii)**	40.39% (Note iii)	Property development / The PRC	Limited liability
深圳金縱橫軟件開發有限公司^#	The PRC	Registered capital RMB1,000,000	**40.39% (Note iii)**	40.39% (Note iii)	Software development / The PRC	Limited liability
上海華通銀寶鉑銀製品有限公司	The PRC	Registered capital RMB1,000,000	**100%**	100%	Inactive / 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#	**40.39% (Note iii)**	40.39% (Note iii)	Sale of jewellery products / The PRC	Limited liability
上海鷗亘商務信息諮詢有限公司	The PRC	Registered capital RMB1,000,000#	**100%**	100%	Inactive / The PRC	Wholly foreign owned

44. 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	Attributable equity interest held by the Company 2020	Principal activities / place of operations	Form of company
上海金孛信息科技有限公司	The PRC	Registered capital RMB10,000,000#	**100%**	100%	Inactive / The PRC	Limited liability

* English translated names are for identification only

\# At 31 December 2021 and 2020, capital injection to the entity had not been fully paid

^ Subsidiaries of CSMall Cayman

α Not yet commence business

** Structured entities

\#\# Incorporated during the year ended 31 December 2021

Notes:

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

(ii) **Details of non wholly-owned subsidiaries that have material non-controlling interests**

The table below shows details of non wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2021	2020	Profit (loss) allocated to non-controlling interests 2021 RMB'000	2020 RMB'000	Accumulated non-controlling interests 2021 RMB'000	2020 RMB'000
CSMall Cayman and its subsidiaries	The Cayman Islands	**59.61%**	59.61%	**43**	(21,223)	**832,805**	832,762
Individual immaterial subsidiaries with non-controlling interests				**(509)**	(496)	**(584)**	(75)
				(466)	(21,719)	**832,221**	832,687

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Notes: (Continued)

(ii) **Details of non wholly-owned subsidiaries that have material non-controlling interests** (Continued)

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	CSMall Cayman As at/For the year ended 31.12.2021 RMB'000	CSMall Cayman As at/For the year ended 31.12.2020 RMB'000
Current assets	**1,480,243**	1,549,340
Non-current assets	**30,326**	29,942
Current liabilities	**108,239**	178,749
Non-current liabilities	**5,241**	3,515
Equity attributable to owners of the Company	**564,284**	564,256
Non-controlling interests of the Company	**832,805**	832,762
Revenue	**364,187**	347,768
Profit/(loss) for the year	**71**	(35,603)
Profit/(loss) for the year attributable to owners of the Company	**28**	(14,380)
Profit/(loss) for the year attributable to the non-controlling interests	**43**	(21,223)
Net cash (outflow) inflow from operating activities	**(319,563)**	57,165
Net cash (outflow) inflow from investing activities	**(5,174)**	229,170
Net cash outflow from financing activities	**(15,442)**	(26,794)
Net cash (outflow) inflow	**(340,179)**	259,541

(iii) **Change in the Group's ownership interests in a subsidiary**

CSMall Cayman

On 13 March 2018, the Group completed the spin-off and separate listing of CSMall Cayman on the Main Board of the Stock Exchange. On the same day, CSMall Cayman issued a total of 194,183,990 ordinary shares of US$0.0001 each at HK$2.38 each for cash by way of public offer. Based on the offer price of HK$2.38 per share, the net proceed received by the Company was RMB355,795,000. An amount of RMB430,487,000 (being the proportionate share of the carrying amount of the net assets value of CSMall Cayman) has been transferred to non-controlling interests. The difference of RMB74,692,000 between the increase in the non-controlling interests and the consideration received has been debited to capital reserve.

On 30 August 2019, CSMall Cayman has issued 184,287,040 new shares in total to participants of a new employee share scheme and a strategic investor pursuant to an employee subscription agreement and employee trust deed dated 6 May 2019 (the "**Transactions**").

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Notes: (Continued)

(iii) **Change in the Group's ownership interests in a subsidiary** (Continued)

CSMall Cayman (Continued)

Pursuant to the employee subscription agreement and employee trust deed dated 6 May 2019, Ascend Delight Holdings Limited, a wholly owned entity of Ms. Xue, the guarantor under the employee subscription agreement and the trustee under the employee trust deed subscribed for 84,287,040 new ordinary shares of US$0.0001 each in CSMall Cayman at a price of HK$0.85 per ordinary share ("**New Employee Share Scheme**") for the purpose of providing rewards to all employees or senior management for their past services. These new shares were issued on 30 August 2019 under the specific mandate granted to the directors at the extraordinary general meeting of CSMall Cayman held on 16 August 2019 and rank pari passu with other shares in issue in all respects and fully vested on the same date. There were no vesting conditions attached to such issue. The Company funded the New Employee Share Scheme and the subscription is recorded by CSMall Cayman as equity-settled share-based payments determined based on the market price of the shares. An amount of RMB87,679,000 (being proportionate share of the carrying amount of the net assets value of CSMall Cayman) has been transferred to non-controlling interests. The difference of RMB4,671,000 between the increase in the non-controlling interests and the consideration received has been debited to capital reserve.

Pursuant to the strategic investor subscription agreement dated 6 May 2019, a strategic investor, Mr. Yao Runxiong subscribed for 100,000,000 new ordinary shares of US$0.0001 each in CSMall Cayman at a price of HK$1.5 (equivalent to RMB1.37) per ordinary share. These new shares were issued under the specific mandate granted to the directors at the extraordinary general meeting of CSMall Cayman held on 16 August 2019 and rank pari passu with other shares in issue in all respects. An amount of RMB129,177,000 (being proportionate share of the carrying amount of the net assets value of CSMall Cayman) has been transferred to non-controlling interests. The difference of RMB7,603,000 between the increase in the non-controlling interests and the consideration received has been credited to capital reserve.

Immediately subsequent to the completion of the Transactions, the Company's equity interest in CSMall Group decreased from 47.46% to 40.39%. The percentage of the voting rights held by the Company and other parties acting in concert according to the voting arrangement in the aforesaid employee trust deed over CSMall Cayman decreased from approximately 48.45% to approximately 48.05%.

(iv) **Consolidated structured entity**

PRC laws and regulations restrict foreign investors from owning more than 50% equity interests in any enterprise engaged in value-added telecommunication business (the "**Restricted Business**").

During the year ended 31 December 2016, the Group decided to engage in the provision of professional electronic platform which was categorised under the Restricted Business. Therefore, Shanghai Huatong was acquired and under the legal ownership of two independent third parties. Therefore, a series of agreements (the "**2016 Contractual Arrangements**") were entered into between the Group and the legal owners on 28 January 2016.

Shanghai Huatong is referred to as the "Structured Entity".

The 2016 Contractual Arrangements both comprised of (a) option agreement, (b) proxy agreement, (c) consultancy and services agreement and (d) share pledge agreement. Key provisions of the 2016 Contractual Arrangements are as follows:

Option Agreement

The Group, the Structured Entity and the legal owners entered into an exclusive option agreement (the "**Option Agreement**") whereby the legal owners have irrevocably and unconditionally agree, to the extent permitted under the laws of the PRC, to transfer to the Group or any other entities or persons designated by the Group their equity interests in the Structured Entity. The Group may exercise, at its sole discretion, its rights at any time and in any manner permitted under the laws of the PRC. The exercise price of the rights payable to each of the legal owners is the lower of (a) the amount of registered capital contributed by the respective legal owner in accordance with their respective percentage of equity interest in the Structured Entity and (b) the lowest price permitted under the laws of the PRC. The entire consideration received by the legal owners in exercising the option would be transferred to the Group within 10 days. In respect of the 2016 Contractual Arrangements, the Option Agreement contains an undertaking from Shanghai Huatong's legal owners to return to the Company any consideration they received when the Company acquires the equity interest of Shanghai Huatong upon unwinding the 2016 Contractual Arrangements.

The Option Agreement will be terminated when all the rights and assets in the Structured Entity are transferred to the Group and/or other entities or persons designated by the Group in accordance with the terms of the Option Agreement and the laws of the PRC.

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Notes: (Continued)

(iv) **Consolidated structured entity** (Continued)

Proxy Agreement

The Group, the Structured Entity and the legal owners entered into a proxy agreement (the "**Proxy Agreement**") whereby the legal owners have irrevocably undertake that they will authorise persons designated by the Group to exercise on their behalf the rights as a shareholder of the Structured Entity under the articles of association of the Structured Entity, including but not limited to (a) the right to convene and attend shareholders' meeting; and (b) the right to vote as shareholders.

The Proxy Agreement will be valid until terminated in writing by all parties.

Consultancy and Services Agreement

The Group and the Structured Entity entered into an exclusive consultancy and services agreement ("**Consultancy and Services Agreement**") whereby the Structured Entity engages the Group on an exclusive basis to provide consultancy services in relation to technology approval (技術審批), technology support, technology consultation and other related corporate consultation services.

In consideration of the provision of the aforementioned services by the Group, the Structured Entity will pay the Group (a) a service fee equivalent to the entire profit after taxation of the Structured Entity, with calculation in accordance to IFRSs, after setting off any accumulated loss after taxation in the prior years; and (b) another service fee agreed separately between the Structured Entity and the Group for specific technology services provided by the Group on the request of the Structured Entity.

The Consultancy and Services Agreement will be valid until terminated in writing by both parties or in accordance with the requirements by the laws of the PRC.

Share Pledge Agreement

The Group, the Structured Entity and the legal owners entered into a share pledge agreement (the "**Share Pledge Agreement**") whereby the legal owners have irrevocably and unconditionally agree that the Group shall be entitled to enforce the pledge in accordance with the terms of the Share Pledge Agreement.

The Share Pledge Agreement will remain in effect until the later to occur of the following: (a) all of the obligations of the legal owners and the Structured Entity under the Option Agreement, the Consultancy and Services Agreement and the Proxy Agreement are satisfied in full or (b) all the direct, indirect or incidental loss suffered by the Group as a result of the breach by the legal owners or the Structured Entity under the Option Agreement, the Proxy Agreement and/or the Consultancy and Services Agreement has been discharged in full.

The directors of the Company, after consulting their legal counsel, are of the view that the 2016 Contractual Arrangements are in compliance with existing PRC laws and regulations and are valid, binding and enforceable, and do not result in any violation of PRC laws or regulations currently in effect in all material aspects. The 2016 Contractual Arrangements have in substance enabled the Group to exercise full control over and enjoy all economic benefits of the Structured Entity despite the absence of formal legal equity interest held by the Group therein and the legal owners are, in substance, the nominees of the Group. Accordingly, the Structured Entity is accounted for as a consolidated Structured Entity of the Group.

Shanghai Huatong is principally engaged in operation of online sales platform in the PRC.

(v) The Group has control over Tongsheng as the Group has the ability to direct the relevant activities of Tongsheng and practical right to appoint the majority of directors of Tongsheng.

45. EVENT AFTER THE REPORTING PERIOD

On 31 December 2021, the Shenzhen Guojintongbao, an indirect non wholly-owned subsidiary of the Group, 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 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.

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 the second installment of RMB20,000,000 was made to the Target Company.

In addition, on 23 February 2022, the Company entered into the subscription agreements with three subscribers, pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 325,680,117 subscription shares at the subscription price of HK$0.59 per subscription share. The net proceeds received from the subscriptions were approximately HK$191,151,000, equivalent to approximately RMB155,108,000. The subscriptions were completed in April 2022.

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSET			
Investments in subsidiaries		**792,133**	1,207,558
CURRENT ASSETS			
Amounts due from subsidiaries		**–**	2,842
Other receivables		**–**	69
Bank balances		**430**	447
		430	3,358
CURRENT LIABILITIES			
Other payables		**10,984**	8,616
Amounts due to subsidiaries		**235,637**	233,881
		246,621	242,497
NET CURRENT LIABILITIES		**(246,191)**	(239,139)
TOTAL ASSETS LESS CURRENT LIABILITIES		**545,942**	968,419
CAPITAL AND RESERVES			
Share capital	32	**13,284**	13,284
Share premium and reserves	(i)	**532,658**	955,135
TOTAL EQUITY		**545,942**	968,419

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY(Continued)

Note:

(i) Movements in share premium and reserves of the Company:

	Share premium RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	1,100,342	91,709	(136,580)	1,055,471
Loss and total comprehensive expenses for the year	–	–	(101,173)	(101,173)
Issue of shares upon exercise of share options (Note 34)	1,296	(459)	–	837
At 31 December 2020	1,101,638	91,250	(237,753)	955,135
Loss and total comprehensive expenses for the year	**–**	**–**	**(422,477)**	**(422,477)**
Lapse of share options (Note 34)	**–**	**(884)**	**884**	**–**
At 31 December 2021	**1,101,638**	**90,366**	**(659,346)**	**532,658**

FIVE YEARS' FINANCIAL SUMMARY

RESULTS

	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Revenue	5,469,028	3,751,216	3,927,097	4,759,330	**2,303,523**
(Loss) profit before tax	387,780	298,253	(55,779)	253,203	**(2,413,397)**
Income tax credit (expense)	(62,587)	(77,912)	(61,322)	(47,420)	**6**
(Loss) profit for the year	325,193	220,341	(117,101)	205,783	**(2,413,391)**
Attributable to					
– Owners of the Company	285,986	148,950	(116,195)	227,502	**(2,412,925)**
– Non-controlling interests	39,207	71,391	(906)	(21,719)	**(466)**
	325,193	220,341	(117,101)	205,783	**(2,413,391)**

ASSETS AND LIABILITIES

	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Total assets	3,549,706	4,013,267	3,979,665	4,515,808	**1,861,477**
Total liabilities	(777,257)	(664,976)	(538,010)	(869,080)	**(628,170)**
Total equity	2,772,449	3,348,291	3,441,655	3,646,728	**1,233,307**
Equity attributable to owners of the Company	2,623,752	2,697,716	2,587,249	2,814,041	**401,086**
Non-controlling interests	148,697	650,575	854,406	832,687	**832,221**
	2,772,449	3,348,291	3,441,655	3,646,728	**1,233,307**