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 2022

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
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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

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Shenzhen, Guangdong, the PRC

Principal place of business in Hong Kong

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Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan, Hong Kong

Company's website

www.chinasilver.hk

Place of listing and stock code

The Stock Exchange of Hong Kong Limited
815

Principal bankers

Bank of Ganzhou
Agricultural Bank of China

Auditor

Linksfield CPA Limited
Registered Public Interest Entity Auditors
(Appointed on 19 January 2023)

Moore Stephens CPA Limited
Registered Public Interest Entity Auditors
(Resigned on 19 January 2023)

Legal advisors

Hong Kong law:

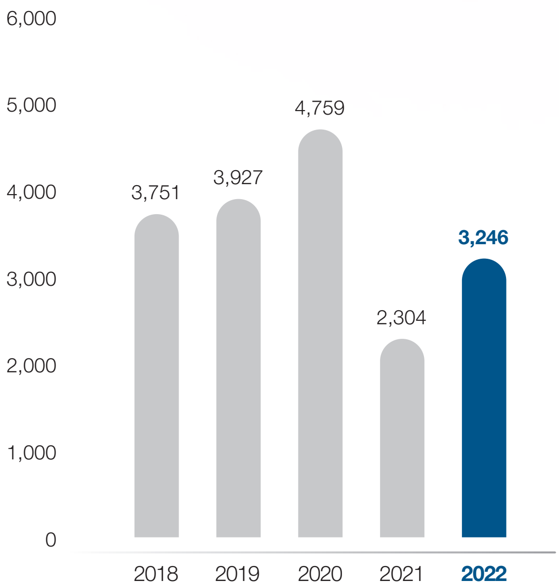
Sullivan & Cromwell (Hong Kong) LLP

Cayman Islands law:

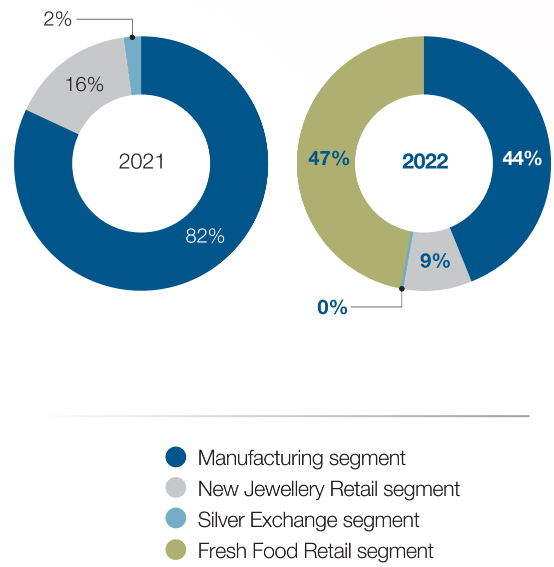
Conyers Dill & Pearman

FINANCIAL HIGHLIGHTS

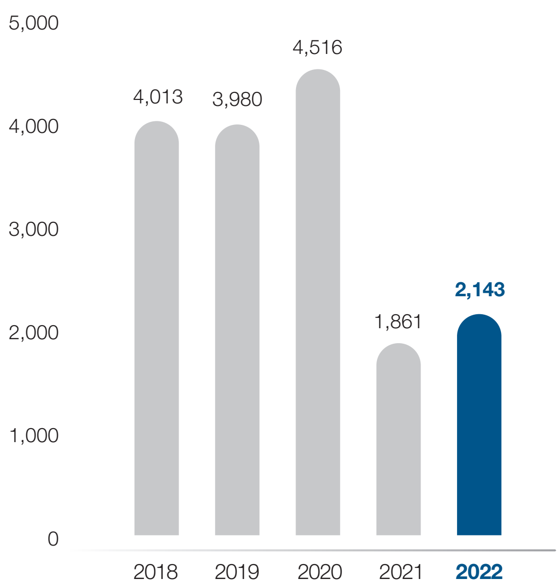
Revenue
(RMB million)



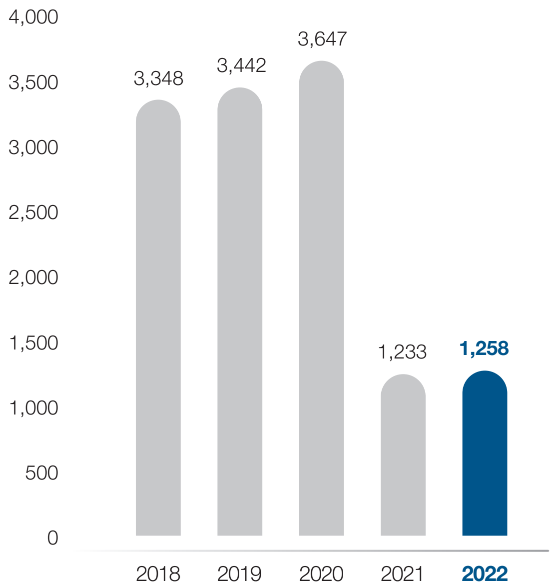
Segment Revenue
(%)



Total Assets
(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 2022 (or the "**current year**", "**this year**" or "**during the year**") together with the comparative figures for the year ended 31 December 2021 (or the "**last year**" or "**prior year**").

BUSINESS REVIEW

In spite of the continuation of COVID-19 which has profoundly affected people's lives and the global economy since 2020, as various countries have matured in their responses, the impact of the epidemic in the People's Republic of China (the "**PRC**") gradually fades and the economy is picking up as a result. We are pleased to see that the Group successfully completed a series of upgrades and rectification for production facilities of the Manufacturing segment to meet the higher requirements under environmental protection policies of the PRC, and successfully resumed production during the year.

In addition, the Group was able to continuously seek suitable business opportunities under the continuing difficult business environment, proactively developing new businesses. As disclosed in the announcements dated 31 December 2021 and 10 January 2022, CSMall Group Limited (stock code: 1815) ("**CSMall Group**"), a subsidiary of the Group, obtained 51% effective ownership in Jiangsu Nongmuren Electronic Business Corp.*（江蘇農牧人電子商務股份有限公司）("**Jiangsu Nongmuren**") with effect from 10 January 2022. The business forms the Group's Fresh Food Retail segment and contributed to the strong sales revenue of the Group.

For the year ended 31 December 2022, the Group had four 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 CSMall Group, i.e. designing and online and offline integrated sales of gold, silver, colored gemstones, gemset and other jewellery products in the PRC; (iii) Silver Exchange segment, i.e. providing professional electronic platform and related services for trading of silver ingots in the PRC; and (iv) Fresh Food Retail segment also under CSMall Group, i.e. integrated online-and-offline sales of fresh food in the PRC, and providing related electronic platforms and branding and software as a service ("**SaaS**") services along the agricultural supply chain in the PRC.

For the year ended 31 December 2022, the Group recorded sales of approximately RMB3,246.3 million (2021: RMB2,303.5 million), representing a significant increase of approximately 40.9% over last year, mainly due to the strong performance of the newly acquired Fresh Food Retail segment, offsetting the decline in sales of other segments. For the year ended 31 December 2022, the Group recorded gross profit of approximately RMB74.6 million (2021: RMB138.9 million), representing a significant decrease of approximately 46.3% compared to last year. All segments had experienced some level of disruption by strict epidemic prevention and control measures, which affected economic activities and led to an uncertain market outlook, resulting in a significant drop in gross profit margin. Meanwhile, the "Nongmuren" S2B2C (supply chain to business to customer) platform was still in an expansion stage with a focus on expanding the network of collaborative stores, and hence had not started to generate a net profit.

The Group recorded loss attributable to owners of the Company of approximately RMB120.8 million for the year ended 31 December 2022 (2021: approximately RMB2,412.9 million). The significant decrease in loss was mainly attributable to the one-time write-off of inventories in the amount of approximately RMB2,408.5 million as recorded by the Manufacturing segment in 2021, which was absent in 2022. Excluding the effect of the write-off of inventories, the Group would have recorded a loss attributable to owners of the Company of approximately RMB4.4 million in the prior year. On this basis, the loss attributable to owners of the Company of approximately RMB120.8 million for the year would represent a year-on-year increase in net loss, which was mainly attributable to the factors mentioned in the section headed "Management Discussion and Analysis – Financial Review – Loss attributable to owners of the Company" in this annual report.

Manufacturing segment

Between 23 April 2021 and 20 May 2021, the Ji'an City Yongfeng Ecology and Environment Bureau* (吉安市永豐生態環境局) (the "**Yongfeng Ecology and Environment Bureau**") issued two administrative penalty notices and a rectification notice (collectively, the "Notices") to Jiangxi Longtianyong Nonferrous Metals Co. Ltd.* (江西龍天勇有色金屬有限公司) ("**Jiangxi Longtianyong**"), a 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 ordered Jiangxi Longtianyong to suspend its production activities from 26 April 2021 onwards pending completion of certain rectification measures. 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. Following the adoption of rectification measures by Jiangxi Longtianyong, such as the demolition of non-compliant facilities and construction of compliant facilities, on 24 August 2021, it received the notice that the relevant authorities have approved in principle the resumption of production of Jiangxi Longtianyong's silver electrolysis production line (the "**Silver Electrolysis Production Line**").

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 environmental impact report for the Project (the "**Report**") would need to be subject to review, technical evaluation and expert assessment by multiple governmental authorities as well as multiple rounds of pre-approval public inspection before it could be formally approved.

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

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

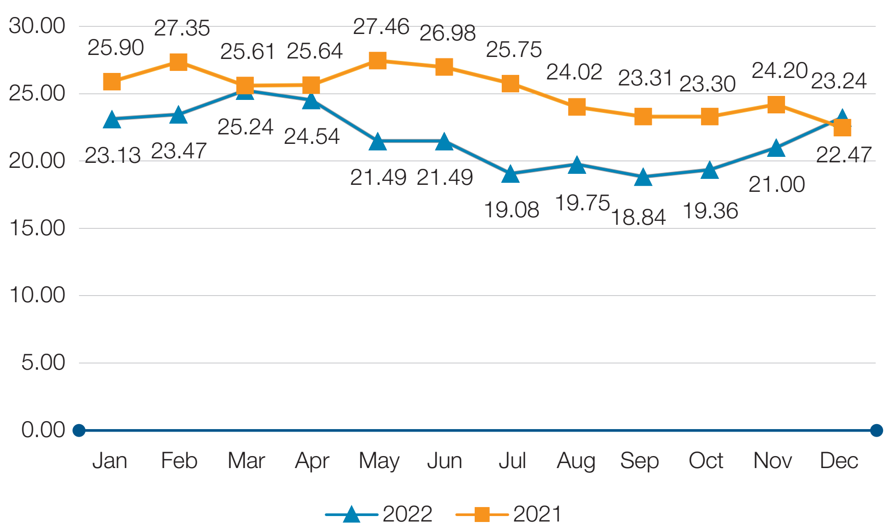
Subsequently, Jiangxi Longtianyong has continued with the construction works for the Project, among which it has completed the installation of facilities for the production of palladium sponge (a type of high-purity palladium product) from raw palladium (the "**Palladium Sponge Production Line**"). Following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

Further details of the suspension of production and subsequent developments are set out in the announcements published on 7 June 2021, 25 August 2021, 22 February 2022, 17 June 2022 and 26 August 2022.

The Group's sales in the Manufacturing segment decreased by approximately 23.8% to approximately RMB1,441.3 million for the year ended 31 December 2022 (2021: RMB1,891.9 million). Although Jiangxi Longtianyong resumed production on a commercial scale in the second half of 2022 as mentioned above, as a result of the resurgence of COVID-19 and the resulting stringent prevention and control measures implemented in various parts of the PRC in 2022, the production of plants was still suspended at times during the year, which along with the weak market economy, resulted in reduced demand and sales.

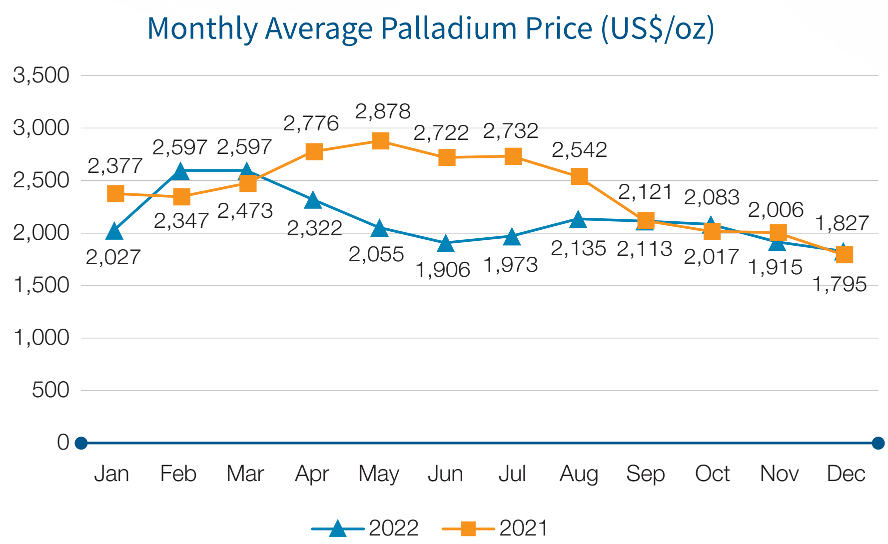
Sales of silver ingots increased from approximately RMB308.3 million for the year ended 31 December 2021 to approximately RMB1,425.8 million for the year ended 31 December 2022, representing a significant increase of approximately 362.4%, mainly because the resumption of production of Jiangxi Longtianyong's silver electrolysis production line during the year. The graph below shows the change in international silver price quoted on the London Bullion Market Association from January 2021 to December 2022:

Monthly Average Silver Price (US$/oz)



Source: The London Bullion Market Association

For the year ended 31 December 2022, we sold approximately 15.0 kg (2021: 2,900.0 kg) of palladium to customers, and sales of palladium decreased significantly by approximately 99.5% from approximately RMB1,448.1 million for the year ended 31 December 2021 to approximately RMB7.0 million for the year ended 31 December 2022, mainly because less palladium is produced since the resumption of Palladium Sponge Production line, mainly due to the weak economy resulted in reduced demand. The graph below shows the change in international palladium price quoted on the London Bullion Market Association from January 2021 to December 2022:



Source: The London Bullion Market Association

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

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 2022, the New Jewellery Retail segment under CSMall Group recorded sales of approximately RMB280.5 million (2021: RMB364.0 million), representing a decrease of approximately 23.0% as compared to that for the last year, and segment loss of approximately RMB9.1 million (2021: profit of RMB9.8 million). The decrease in segment sales and the turnaround from profit to loss were mainly due to the resurgence of COVID-19 and the resulting stringent prevention and control measures implemented in various parts of the PRC during multiple periods in 2022, which resulted in temporary business suspensions and further weakened consumer sentiment in the PRC.

Online Sales Channels

(i) *Third-party online sales channels*

For the year ended 31 December 2022, 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 2022, we cooperated with third-party online platforms including JD.com (京東), Suning (蘇寧), Tmall (天貓), WeChat (微信), TikTok (抖音), Xiaohongshu (小紅書) and 15 television and video shopping channels in the PRC to promote and sell our jewellery products. We became a core supplier in the gold, silver and jewellery category of all top television channels, which enabled us to achieve satisfactory sales performance. With a daily coverage of over 100 million home viewers in the PRC, our brand awareness among Chinese viewers of television and video shopping channels was enhanced substantially.

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

(ii) *Self-operated online platform*

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

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 2022, due to the impact of the epidemic on offline retail sales, the Group slowed down our offline store expansion plan, adjusted the layout of offline business outlets, closed 20 stores and opened 4 new stores. As of 31 December 2022, the Group had 22 CSmall Shops located in 9 provinces and municipalities in the PRC, consisting of 22 franchised CSmall Shops with presence in Beijing, Gansu, Heilongjiang, Henan, Shaanxi, Sichuan, Tibet, Xinjiang and Zhejiang.

(ii) Shenzhen Exhibition Hall

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

(iii) Third-party offline points of sale

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

Silver Exchange segment

In 2016, the Group further expanded the downstream business by acquiring Shanghai Huatong Silver Exchange Company Limited* (上海華通鉑銀交易市場有限公司) ("**Shanghai Huatong**"), the operator of an integrated silver exchange platform in the PRC. 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 2022, the Silver Exchange segment operated by Shanghai Huatong recorded sales of approximately RMB14.8 million (2021: RMB47.6 million), representing a substantial decrease of approximately 68.9% over the last year; the segment loss was approximately RMB60.3 million (2021: profit of approximately RMB31.0 million). The decrease in segment sales and the turnaround from profit to loss were mainly due to the resurgence of COVID-19 and the resulting stringent prevention and control measures implemented in various parts of the PRC during multiple periods in 2022, which reduced commodity investors' eagerness and willingness to trade silver and resulted in a decrease in transaction volume, and also because a non-recurring impairment loss on certain intangible assets of approximately RMB57.7 million was recognized in 2022 due to a re-estimation of the segment's expected future cash flows.

Fresh Food Retail segment operated under CSMall Group

On 31 December 2021, the Group entered into an investment agreement for investment in Jiangsu Nongmuren Electronic Business Corp.* (江蘇農牧人電子商務股份有限公司) ("**Jiangsu Nongmuren**") which is the developer and operator of the "農牧人" S2B2C (supply chain to business to customer) platform ("**Nongmuren**", meaning farmers and herdsmen). The Nongmuren platform, officially launched in May 2021, provides branding and SaaS (software as a service) services along the agricultural supply chain in the PRC.

Through the investment, the Group expands its business operations from the retail of jewellery, a non-essential good, to the retail of agricultural products, an essential good, thereby digitally empowering another traditional industry, namely the agricultural products industry, and promoting the modernization of agricultural industry. This business brought encouraging revenue to the Group in 2022.

At present, Nongmuren has covered most of the farmers' markets in Suzhou, the PRC with nearly 1,000 stores, and the total number of stores was nearly 5,000 over 16 cities across the country. Leveraging the advantages of the single-product supply chain, Nongmuren launched the "Meat Shopkeeper (肉掌櫃)" platform in 2022 for pork, an everyday product with rigid demand. Digitization was realized for the whole process from fresh pork production to consumption by citizens through empowerment of small and medium-sized businesses by the S2B2C digital supply chain model. For store owners, the purchase price is lower, and the profit margin of trading is higher. For Nongmuren, it can more accurately estimate sales volume, making it easier to achieve zero inventory and reduce storage costs; on the other hand, after the "Meat Shopkeeper" platform arranges delivery, Nongmuren can save substantial costs on self-built warehouses and cold chains through cooperation with stall owners and merchants in terms of logistics and distribution, with merchants in charge of logistics and distribution. The stalls and stores at farmers' markets join the "Meat Shopkeeper" platform without any franchise fees, and they place orders from channels of Nongmuren and are subject to assessment and supervision through the "Nongmuren – Meat Shopkeeper (農牧人一肉掌櫃)" application. Directly from slaughterhouses to stall owners at farmers' markets, with end-to-end communication between stall owners and pork producers, followed by direct supply of meat through cold chain logistics systems, the two intermediate layers of wholesaling are eliminated. Also, by empowering mom-and-pop stores, Nongmuren does not require any preposition warehouses (i.e. in-town service stations for storage and distribution), thus saving the burden of contract performance costs. With the reduction in the layers of circulation, consumers can enjoy lower prices.

In 2022, as the Nongmuren "Meat Shopkeeper" platform was still in the initial stage of rapid growth, the business-end channels had been expanded quickly through subsidies and incentives to acquire a large number of customer-end users. In 2022, the Nongmuren fresh S2B2C business only relied on the single pork product of the "Meat Shopkeeper" to overcome the severe impact of the epidemic in core markets such as Shanghai and Jiangsu. Approximately 5,000 stores were opened and revenue of approximately RMB1,509.8 million was recorded. The business is expected to become the core business and the main source of future profit of the Group.

Distribution

New Jewellery Retail segment		Fresh Food Retail segment	
Shops		Stores	
Xinjiang	6	Jiangsu	3,777
Henan	5	Zhejiang	885
Sichuan	4	Shanghai	699
Gansu	2	Anhui	203
Beijing	1		
Heilongjiang	1		
Shaanxi	1		
Tibet	1		
Zhejiang	1		
Total: 22		Total: 5,564	

CHAIRMAN'S STATEMENT

PROSPECTS

Since 2022, various central banks have tightened their monetary policies to curb inflation, inevitably putting a downward pressure on prices of precious metals. However, with recent collapses one after another in sectors such as cryptocurrency and commercial banking, the international demand for safe haven assets including silver and gold products is still strong. 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. The Group will not only continue to consolidate its industry position in the precious metal manufacturing business, but also explore and consider suitable business opportunities inside and outside the industry in a timely manner to diversify its business risks.

In 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.

The Group's New Jewellery Retail segment and Fresh Food Retail segment are both new empowerments for traditional industries through digital marketing. For the Fresh Food Retail segment, Nongmuren Meat Shopkeeper (農牧人肉掌櫃) stores will be operated in a refined manner. A complete digital system covering pig farming to pork sales at in-town stores will be provided through S2B2C/F2B2C (farm to business to customer): each city will have an independent management system that encompasses store renovation, cash register system, electronic scales and other hardware and software facilities.

In the first half of 2022, for the Fresh Food Retail segment, the Nongmuren Meat Shopkeeper platform implemented the single-city operation model and simultaneously expanded its coverage through opening new stores in more cities, essentially reaching the scale of centralized procurement. In the second half of 2022, the focus was placed on optimizing and improving the single store model and delving deeper into the supply chain to directly procure from producers, so as to empower stores with product supply capabilities that come with higher stability, guaranteed quality and competitive prices; the store community operation model was completed to enable stores to increase their revenue, thus improving profitability at a single-store or single-city level. Stores will be further empowered in terms of branding, marketing, supply chain, informatization and other aspects, with a focus on improving the operations of stores as a community and strengthening community-based supply chain capabilities, thereby continuously boosting store revenue growth through the monetization of private domain traffic in store communities. At present, the fresh food category mainly focuses on the single product of pork. Pork is one of the largest fresh single products in the PRC. About 700 million pigs are slaughtered every year, and the retail scale exceeds RMB2 trillion. Therefore, there is sufficient market scale and room for profitability. In 2022, Nongmuren already achieved remarkable performance with the pork-based "Meat Shopkeeper" only. In 2023, Nongmuren plans to successively launch new platforms for other fresh food categories such as "Cow Shopkeeper (牛掌櫃)", "Sheep Shopkeeper (羊掌櫃)", "Fish Shopkeeper (魚掌櫃)" and "Noodle Shopkeeper (麵掌櫃)" to continue to replicate its business model for beef, mutton, seafood, fresh noodles and other major single products and increase its market share.

The Group is also looking for new business growth drivers for its New Jewellery Retail segment. In particular, its SISI brand has started to focus on the green and environmentally friendly pet hair lab-grown diamond product category. Leveraging on the price advantages, environmental friendliness, wide variety (with colored diamonds and special-shaped diamonds), high-tech sense and other attributes of lab-grown diamonds, we have put forward the brand concept of "planting love for it (為它種愛)" for the first time, whereby we will cultivate pet hair into diamonds and integrate the love for pets through advanced technologies by growing diamonds with the DNA of pets. Besides, apart from synthetic lab-grown diamonds, the Group will continue to be optimistic about the room for appreciation and market potential of colored gemstones. Due to the scarcity and the properties of value preservation and value appreciation of rubies, the Group will carefully consider its sales strategy and gradually expand the sales market, and rubies will see a long-term and stable price increase. The Group expects that the three-year shadow cast by the Epidemic will soon dissipate. We expect consumption in the Chinese market to rise moderately this year.

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

Chen Wantian
Chairman

Hong Kong, 28 March 2023

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 December 2022 was approximately RMB3,246.3 million (2021: RMB2,303.5 million), representing an increase of approximately 40.9% from that of 2021.

	2022		2021	
	Revenue RMB'000	% of revenue	Revenue RMB'000	% of revenue
Manufacturing segment				
Sales of silver ingots	**1,425,756**	**43.9%**	308,327	13.4%
Sales of palladium	**6,956**	**0.2%**	1,448,111	62.9%
Sales of lead ingots and other metal by-products	**8,593**	**0.3%**	135,507	5.9%
	1,441,305	**44.4%**	1,891,945	82.2%
Segments operated under CSMall Group				
New Jewellery Retail segment				
Sales of gold, silver, colored gemstones, gem-set and other jewellery products	**280,463**	**8.6%**	364,022	15.8%
Fresh Food Retail segment				
Sale of fresh food products	**1,509,807**	**46.5%**	–	–
	1,790,270	**55.1%**	364,022	15.8%
Silver Exchange segment				
Commission income	**14,769**	**0.5%**	47,556	2.0%
Total	**3,246,344**	**100.0%**	2,303,523	100.0%

Manufacturing segment

Sales of silver ingots significantly increased from approximately RMB308.3 million for the year ended 31 December 2021 to approximately RMB1,425.8 million for the year ended 31 December 2022, representing a significant increase of approximately 362.4% from that of 2021.

Sales of palladium decreased from approximately RMB1,448.1 million for the year ended 31 December 2021 to approximately RMB7.0 million for the year ended 31 December 2022, represent a significant decrease of approximately 99.5% and sales of lead ingots and other metal by-products decreased from approximately RMB135.5 million for the year ended 31 December 2021 to approximately RMB8.6 million for the year ended 31 December 2022.

The overall decrease in sales was mainly because of Jiangxi Longtianyong's suspension of production till June 2022. As disclosed in the Company's announcements on 17 June 2022 and 26 August 2022, Jiangxi Longtianyong had resumed the production activities of its Silver Electrolysis Production line and its Palladium Sponge Production Line on a commercial scale since mid-June 2022 and since 25 August 2022 respectively. Although the production of silver ingot during the year have already increased significantly compared with last year, the production and sales of palladium were still far below last year's level, which held back the overall sales resumption of the segment.

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

For the year ended 31 December 2022, the New Jewellery Retail segment recorded sales of approximately RMB280.5 million (2021: RMB364.0 million), representing a decrease of approximately 23.0% as compared to that of 2021, mainly due to the worsened economy conditions and resurgence of COVID-19 in various parts of PRC during multiple periods in the year, which resulted in temporary business suspensions and further weakened consumer sentiment in PRC.

Silver Exchange segment

For the year ended 31 December 2022, the Silver Exchange segment recorded sales of approximately RMB14.8 million (2021: RMB47.6 million), representing a significant decrease of approximately 68.9% over the last year. The decrease was mainly due to the resurgence of COVID-19 and the resulting stringent prevention and control measures implemented in various parts of the PRC during multiple periods in the year, and the relatively stable international silver price during the year which reduced commodity investors' eagerness and willingness to trade silver and resulted in a decrease in transaction volume.

Fresh Food Retail segment operated under CSMall Group

During the year, a new segment under CSMall Group, the Fresh Food Retail segment, which conducts integrated online-and-offline sales of fresh food in the PRC, and provides related electronic platforms and branding and software as a service ("**SaaS**") services along the agricultural supply chain in the PRC, recorded sales of approximately RMB1,509.8 million (2021: nil).

Cost of sales and services provided

Our cost of sales and services provided is comprised of four segments, being: (i) cost of sales in Manufacturing segment, mainly represented by the cost of raw materials consumed, purchase cost of silver, direct labor and manufacturing overhead in the manufacturing process. Cost of raw materials consumed and purchase cost of silver accounted for over 90% of cost of sales in the Manufacturing segment. The purchase cost of raw materials is determined by the content levels of silver 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; (ii) cost of sales in New Jewellery Retail segment operated under CSMall Group, 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; (iii) cost of sales and services in Fresh Food Retail segment operated under CSMall Group, mainly represents the cost of purchasing fresh food products from the upstream wholesale suppliers (for example, farms) and other direct distribution cost; and (iv) cost of sales and services provided in Silver Exchange segment, mainly represents cost of materials and direct expenses incurred for trading of silver and the operation of the online exchange platform.

The increase in our overall cost of sales and services provided was due to the effect of the contribution of our new Fresh Food Retail segment operated under CSMall Group outweighed the decrease in our cost of sales in New Jewellery Retail segment due to the decrease in the sales volume in respective segments. Additionally, last year certain indirect production costs from the Manufacturing segment were reclassified as administrative expenses due to the suspension of production. Since the resumption of production in June 2022, the related costs have been recorded as cost of sales instead of administrative expenses, resulting in an overall increase in costs as compared to last year.

Gross profit and gross profit margin

The Group recorded gross profit of approximately RMB74.6 million (2021: RMB138.9 million) for the year ended 31 December 2022, a significant decrease of approximately 46.3% as compared to that of 2021. The overall gross profit margin of the Group decreased to approximately 2.3% for the year (2021: 6.0%), mainly due to the increase in sales from the new Fresh Food Retail segment which has a lower gross profit margin.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 38.1% from approximately RMB30.4 million for the year ended 31 December 2021 to approximately RMB42.0 million for the year ended 31 December 2022. The increase was mainly due to the contribution from the new Fresh Food Retail segment during the year.

Administrative expenses

Administrative expenses decreased by approximately 1.5% from approximately RMB101.9 million for the year ended 31 December 2021 to approximately RMB100.4 million for the year ended 31 December 2022. The decrease was mainly due to the implementation of various cost-cutting measures, and also because administrative expenses last year included reclassification of certain indirect production costs from the Manufacturing segment due to the suspension of production, where the related costs have been recorded as cost of sales instead of administrative expenses since the resumption of production in June 2022. These efforts resulted in a significant cost cut in administrative expenses notwithstanding that the effect was partly offset by the increase through contribution from the new Fresh Food Retail segment.

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-time write-off of inventories of approximately RMB2,408.5 million was recorded for the year ended 31 December 2021. There was no such amount for the year ended 31 December 2022.

Other gains and losses

Other gains and losses decreased to a net loss of approximately RMB9.5 million for the year ended 31 December 2022 from approximately a net loss of RMB11.1 million for the year ended 31 December 2021. Other gains and losses for the year mainly include loss on disposal of property, plant and equipment of approximately RMB6.2 million (2021: RMB12.0 million) and the exchange loss of approximately RMB3.3 million (2021: gain of RMB0.9 million). Last year's amounts included the loss on write-off and disposal of property, plant and equipment of approximately RMB10.6 million 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.

Other income

Other income increased to approximately RMB7.2 million for the year ended 31 December 2022 from approximately RMB6.3 million for the year end 31 December 2021. Other income mainly represents the government grants and bank interest income.

Income tax credit

The income tax credit for the year ended 31 December 2021 amounted to approximately RMB6,000 as compared to approximately RMB8.1 million for the year ended 31 December 2022. Such changes are mainly due to the decrease in deferred tax liabilities arising from the impairment of intangible assets of Silver Exchange segment.

Loss attributable to owners of the Company

For the year ended 31 December 2022, the loss attributable to owners of the Company amounted to approximately RMB120.8 million (2021: approximately RMB2,412.9 million). Such significant year-on-year decrease in loss is mainly attributable to the one-time write-off of inventories of approximately RMB2,408.5 million recorded in last year as a result of certain inventory of raw materials of Jiangxi Longtianyong being deemed to be hazardous waste and ordered to be disposed of and there is no such write-off of inventory in this year. Excluding the impact of the write-off, the Group would have recorded a loss attributable to owners of the Company of approximately RMB4.4 million for the year ended 31 December 2021. On this basis, the aforesaid loss attributable to owners of the Company of approximately RMB120.8 million for the year ended 31 December 2022 would represent a year-on-year increase in loss, which is mainly attributable to the following factors:

(i) in respect of the Group's Manufacturing segment, although Jiangxi Longtianyong's Silver Electrolysis Production Line and Palladium Sponge Production Line had successively been put into operation on a commercial scale since June 2022 and August 2022, the segment's gross profit margin for the year ended 31 December 2022 was lower than that for the year ended 31 December 2021, and more one-off expenses relating to environmental rectification were recorded in this year (not including the write-off of inventory);

(ii) in respect of the Group's New Jewellery Retail segment operated under the Company's non-wholly-owned subsidiary, CSMall Group, the overall sales, especially sales through its offline retail and service network for the year ended 31 December 2022 was lower than that for the year ended 31 December 2021 primarily due to the resurgence of COVID-19 in various parts of the PRC during multiple periods in 2022, which resulted in temporary business suspensions at times and further weakened consumer sentiment in the PRC;

(iii) in respect of the Group's Silver Exchange segment, the trading volume for the year ended 31 December 2022 decreased and hence the commission income was lower than that for the year ended 31 December 2021, primarily due to the resurgence of COVID-19 and the resulting prevention and control measures implemented in various parts of the PRC during multiple periods in 2022 as well as the relatively stable international silver price during 2022, both of which reduced commodity investors' eagerness and willingness to trade silver. Also, a non-recurring impairment loss on certain intangible assets was recognized in 2022 due to a re-estimation of the segment's expected future cash flows; and

(iv) in respect of the Group's Fresh Food Retail segment operated under CSMall Group, which began to be consolidated as a non-wholly-owned subsidiary of CSMall Group and of the Company on 10 January 2022, its "Nongmuren" S2B2C platform was still in an expansion stage (especially during the first half of 2022) with a focus on expanding the network of collaborative stores and hence had not started to generate a net profit during this year.

Inventories, trade receivables and trade payables turnover cycle

The Group's inventories mainly comprise silver bars, colored gemstones, jewellery products, gold bars and fresh food. For the year ended 31 December 2022, inventory turnover days decreased to approximately 121.4 days (2021: 306.2 days). The decrease was mainly due to more purchases were contributed by the Fresh Food Retail segment which has a shorter turnover cycle.

The turnover days for trade receivables for the year ended 31 December 2022 were approximately 2.5 days (2021: 9.4 days). The decrease was mainly due to the more sales contributed by the Fresh Food Retail segment which generally has a shorter credit term with the customers.

The turnover days for trade payables for the year ended 31 December 2022 were approximately 3.8 days (2021: 13.8 days). The decrease was mainly because the payment terms offered by suppliers in the Fresh Food Retail segment is generally shorter.

Borrowings

As of 31 December 2022, the Group's bank borrowings balance amounted to approximately RMB406.4 million, of which approximately RMB223.4 million was carried at fixed interest rate and approximately RMB183.0 million was carried at floating interest rate (2021: RMB230.0 million, of which was carried at fixed rate). The amounts would be 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 as a percentage of total equity. As of 31 December 2022, the Group was in a net cash position with a net gearing ratio of approximately -14.5% (2021: -7.0%).

Capital expenditures

For the year ended 31 December 2022, the Group invested approximately RMB10.6 million in property, plant and equipment (2021: RMB28.7 million).

For the year ended 31 December 2022, the Group paid deposits and other direct costs of approximately RMB2.7 million in relation to the acquisition of property, plant and equipment (2021: RMB1.3 million).

Pledge of assets

As at 31 December 2022, assets with the following carrying amounts were pledged to secure general banking facilities.

	2022 RMB'000	2021 RMB'000
– Property, plant and equipment	61,205	67,415
– Leasehold land (included in right-of-use assets)	16,025	16,326
– Pledged bank deposits	166,900	40,000
	244,130	123,741

Capital commitments

	2022 RMB'000	2021 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– Property, plant and equipment	359	9,099

Contingent liabilities

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

Employees

As of 31 December 2022, the Group employed 389 staff members (2021: 289 staff members) and the total remuneration for the year ended 31 December 2022 amounted to approximately RMB44.9 million (2021: RMB43.8 million). The increase was mainly due to the contribution from the new Fresh Food Retail segment 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 and other payables and bank borrowings. As of 31 December 2022, bank balances and cash, net current assets and total assets less current liabilities were approximately RMB589.2 million (2021: RMB316.8 million), RMB1,060.4 million (2021: RMB980.3 million) and RMB1,272.9 million (2021: RMB1,261.4 million), respectively. As of 31 December 2022, the Group had bank borrowings amounting to approximately RMB406.4 million (2021: RMB230.0 million).

Dividend

No final dividend for the year ended 31 December 2022 was proposed (2021: nil).

Capital structure

During the year, the Company issued a total of 325,680,117 shares upon completion of the subscriptions by three investors for new shares of the Company in the first half of 2022 (the "**Subscriptions**") on 7 April 2022. As disclosed in the Company's announcements dated 23 February 2022, 29 March 2022 and 7 April 2022, three independent subscribers, subscribed for a total of 325,680,117 new shares of HK$0.01 each at a subscription price of HK$0.59 per subscription share. As at 31 December 2022, the Company had 1,954,080,706 shares in issue and a paid-up capital of approximately HK$19,540,807 or approximately RMB15,934,925.

Significant investment held, material acquisition and disposal

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

On 31 December 2021, Shenzhen Guojintongbao Company Limited* (深圳國金通寶有限公司) ("**Shenzhen Guojintongbao**", a wholly-owned subsidiary of CSMall Group and a non-wholly-owned subsidiary of the Group), Bric Suzhou (as an existing shareholder of the Target Company), Suzhou Nonggou Daohe (as an existing shareholder of the Target Company), Mr. Sun Tong (as the actual controller of Bric Suzhou and Suzhou Nonggou Daohe) and the Target Company entered into an investment agreement (the "**Investment Agreement**"), pursuant to which Shenzhen Guojintongbao shall obtain 51% effective ownership in the Target Company in consideration for the capital injection of RMB26,000,000 payable in cash to the Target Company in two installments of which the first installment of RMB6,000,000 shall be paid on or before 10 January 2022 and the second installment of RMB20,000,000 shall be paid on or before 31 May 2022.

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

Incorporated in 2015, the Target Company is the developer and operator of the Nongmuren S2B2C platform officially launched in May 2021, which conducts integrated online-and-offline sales of fresh food in the PRC, and provides related electronic platforms and branding and software as a service ("**SaaS**") services along the agricultural supply chain in the PRC.

On 10 January 2022, all of the conditions precedent under the Investment Agreement were fulfilled and completion of the transaction contemplated under the Investment Agreement (other than the payment of the second installment of the capital injection to the Target Company) took place accordingly. Immediately upon completion, the Target Company is consolidated as a non-wholly-owned subsidiary of 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 carry out any significant acquisition and disposal of subsidiaries, associates and joint ventures, nor was there any plan for other significant investment or acquisition of capital assets in the future for the year ended 31 December 2022.

Use of proceeds from the Subscriptions

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

The net proceeds received from the Subscriptions had been used as follows for the year ended 31 December 2022:

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

Significant event after the reporting period

There is no material subsequent event after the reporting period.

Additional information regarding the Disclaimer of Audit Opinion and the Emphasis of Matter

In connection with the Group's current auditor's disclaimer of opinion (the "**Disclaimer of Audit Opinion**") and emphasis of matter (the "**Emphasis of Matter**") set forth in the section headed "Independent Auditor's Report" , the Company would like to provide shareholders and potential investors with additional information regarding the matters from which the Disclaimer of Audit Opinion and the Emphasis of Matter have arisen, and the views of the Company's management (the "**Management**") and the Company's Audit Committee (the "**Audit Committee**").

Disclaimer of Audit Opinion: In respect of "Comparability of the current year's figures and the corresponding figures for the year ended 31 December 2021 in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity"

As described in Note 24 to the consolidated financial statements of the Group for the year ended 31 December 2021, certain raw materials of Jiangxi Longtianyong 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 issued by the Yongfeng Ecology and Environment Bureau and ordered to be disposed of during the year ended 31 December 2021. As a result, write-off of inventories amounting to RMB2,408,511,000 had been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

As set out in the Group's predecessor auditor's report dated 13 May 2022 on the consolidated financial statements of the Group for the year ended 31 December 2021, the predecessor auditor did not observe the counting of physical inventories in the process of disposing of the relevant inventories and were unable to satisfy themselves by alternative means concerning the inventory condition and inventory quality being disposed of on relevant disposal dates. The predecessor auditor did not express an opinion on the consolidated financial statements of the Group because of the scope limitation on inability to obtain sufficient appropriate audit evidence concerning the inventory write-off on the disposal dates 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 then ended, and the related disclosures thereof in the consolidated financial statements.

Because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2021 in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and the related notes disclosures, the Group's current auditor's audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2022 is therefore modified.

The Company would like to stress that the Disclaimer of Audit Opinion merely pertains to the Group's comparative financial figures for the year ended 31 December 2021, but not the Group's latest financial figures for the year ended 31 December 2022. As such, the Management expects that the Disclaimer of Audit Opinion will be removed from the independent auditor's report for the year ending 31 December 2023, which will no longer pertain to any financial figures for the year ended 31 December 2021.

The Audit Committee has reviewed and agreed with the Management's above position in relation to the Disclaimer of Audit Opinion.

Emphasis of Matter: In respect of "Material uncertainty related to going concern"

As described in Note 2.1 to the consolidated financial statements of the Group for the year ended 31 December 2022, there were conditions that indicated the existence of a material uncertainty which might cast significant doubt about the Group's ability to continue as a going concern, including (i) the Group's significant net loss for the year ended 31 December 2022; (ii) Jiangxi Longtianyong's production activities not having reached an optimal scale as at the end of 2022 despite the resumption of production since mid-2022; and (iii) the Group's ability to operate as a going concern being dependent upon the availability of banking facilities. In the view of the Group's current auditor, such material uncertainty was included as an emphasis of matter paragraph in its independent auditor's report for the year ended 31 December 2022, but did not contribute to the issuance of the Disclaimer of Audit Opinion.

The Company would like to stress that, as also described in the aforesaid Note 2.1, the Group has adopted or is in the process of adopting various measures to improve the Group's financial position, including (i) widening Jiangxi Longtianyong's range of production processes and ramping up its production levels; and (ii) for borrowings which will be maturing before the end of 2023, actively negotiating with the banks to secure their renewals. As such, 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 2022 on a going concern basis.

Further, given the subsidence of COVID-19 and further relaxation of related prevention and control measures in the PRC in the first quarter of 2023, the Group has seen an increase in Jiangxi Longtianyong's production levels. This is favorable to the Group's financial position and also facilitates its negotiations with lending banks. As such, the Management expects that the Emphasis of Matter will be removed from the independent auditor's report for the year ending 31 December 2023.

The Audit Committee has reviewed and agreed with the Management's above position in relation to the Emphasis of Matter.

Closure of register of members

The register of members of the Company will be closed from Monday, 12 June 2023 to Thursday, 15 June 2023 (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 Thursday, 15 June 2023, 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 Friday, 9 June 2023 for registration of transfer.

* *For identification purpose only*

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Wantian (陳萬天), aged 49, 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 2022, 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 60, 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 2022, 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 51, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Song Hongbing (宋鴻兵), aged 54, 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 54, 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 51, 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 46, was appointed as the chief financial officer 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 Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to the shareholders of the Company;

– that the interests of those who deal with the Company are safeguarded;

– that overall business risk is understood and managed appropriately;

– the delivery of high-quality products and services to the satisfaction of customers; and

– that high standards of ethics are maintained.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). During the year ended 31 December 2022, the Company has complied with the code provisions under the CG Code, except for code provision C.2.1:

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 2022.

BOARD OF DIRECTORS

(i) Board Composition

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

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 2022, there were 10 board meetings held, at which the Directors approved, among other things, the annual results of the Group for the year ended 31 December 2021 and the interim results of the Group for the six months ended 30 June 2022.

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

(v) Attendance Record

The following is the attendance record of the Directors at board meetings and the annual general meeting of the Company during the year ended 31 December 2022 :

	Attendance at meetings	
	Board meetings	Annual general meeting
Executive Directors		
Mr. Chen Wantian (Chairman)	10/10	1/1
Mr. Song Guosheng	10/10	1/1
Mr. Liu Jiandong	10/10	1/1
Independent Non-executive Directors		
Mr. Song Hongbing	10/10	1/1
Dr. Li Haitao	10/10	1/1
Dr. Zeng Yilong	10/10	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 representing at least one-third of the Board. 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 served by either party on the other.

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 served by either party on the other.

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**") and code provision B.2.2 of the CG Code, 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.

For the purpose of implementation of the Board Diversity Policy, the Board adopted the measurable objective that at least one member of the Board shall be female.

The Board is committed to improving the diversity of the Board and wishes to achieve the above objective by 31 December 2024.

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 Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will also review at least annually the structure, size and composition (including skills, knowledge and experience) of the Board and diversity of the Board to ensure that it has a balance of expertise, skills, experience and diversity of perspectives appropriate to complement the Company's corporate strategy.

(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 C.1.4 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 2022 to the Company.

(xii) Board Independence Evaluation

The Company has established a board independence evaluation mechanism (the "**Board Independence Evaluation Mechanism**") on 29 March 2022 which sets out the processes and procedures to ensure a strong independent element on the Board.

The Board Independence Evaluation Mechanism covers the following aspects:

(a) Independent non-executive director's recruitment criteria

(b) Number of independent non-executive directors

(c) Assessing the independence of an independent non-executive director

(d) Assessment or evaluation of independent non-executive directors' time commitment and contribution

(e) Other channels where independent views are available

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

(xiii) Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this report:

Unit: % (person)

	Female	Male
Board	0% (0)	100% (6)
Senior management	0% (0)	100% (1)
Other employees	45% (174)	55% (211)
Overall workforce	44% (174)	56% (218)

To comply with Rule 13.92 of the Listing Rules, the Company is contemplating to include a female director to join the Board by 31 December 2024 via different channels such as by engaging human resources agencies to identify potential successors for the Board and enhance gender diversity in the coming years, if necessary, and will emphasize to include gender as a factor to be taken into consideration for achieving the Board diversity.

The Board is committed to improving gender diversity among the senior management as and when suitable candidates are identified for the appointment of senior management.

The Company is committed to promoting gender diversity not only within the Board and senior management but among its workforce generally. As at the date of this report, the number of female employees of the Group accounted for 44% of the total workforce. The Board is of the view that the Group has achieved gender diversity among employees.

Up to the date of this report, the Nomination Committee is in the process of identifying suitable female candidate(s) for appointment to the Board on merit against objective criteria.

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 2022, the Audit Committee held 3 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 2021 and unaudited condensed consolidated financial statements for the six months ended 30 June 2022. They were of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made. They also reviewed significant issues on the financial reporting, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditor and engagement of non-audit services and relevant scope of works, connected transactions and arrangements for employees to raise concerns about possible improprieties. 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)	3/3
Mr. Song Hongbing	3/3
Dr. Li Haitao	3/3

During the year ended 31 December 2022, the Audit Committee and senior management also met the external auditors twice.

AUDITOR'S REMUNERATION

Moore Stephens CPA Limited resigned as auditor of the Company and the Company has appointed Linksfield CPA Limited as the auditor of the Company, both with effect from 19 January 2023.

For the year ended 31 December 2022, the total fees paid/payable in respect of audit services to the external auditor of the Company, Linksfield CPA Limited, and non-audit services to the external auditors of the Company, including Linksfield CPA Limited and Moore Stephens CPA Limited, were set out below:

Service category	Fees paid/ payable RMB
Audit services*	1,975,000
Non-audit services	
– Interim results review#	429,000
– Others (including announcements)*	73,000

* The fee is paid/payable to Linksfield CPA Limited
\# The fee is paid/payable to Moore Stephens CPA Limited

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 section headed "Independent Auditor's Report" and Note 2.1 to the consolidated financial statements, the Directors are aware that, notwithstanding that the Group's consolidated financial statements for the year ended 31 December 2022 have been prepared on a going concern basis, there were conditions that indicated the existence of a material uncertainty which might cast significant doubt about the Group's ability to continue as a going concern, including (i) the Group's significant net loss for the year ended 31 December 2022; (ii) Jiangxi Longtianyong's production activities not having reached an optimal scale as at the end of 2022 despite the resumption of production since mid-2022; and (iii) the Group's ability to operate as a going concern being dependent upon the availability of banking facilities.

Notwithstanding the above, as set forth in the section headed "Management Discussion and Analysis – Financial Review – Additional Information regarding the Disclaimer of Audit Opinion and the Emphasis of Matter – Emphasis of Matter: In respect of 'material uncertainty related 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 2022 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 Responsibilities 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 D.2.1 of the CG Code issued by the Stock Exchange, 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 (including environmental, social and governance risks) since last year's review, and the Group's ability to respond to changes in its business and the external environment;

- Review the scope and quality of management's ongoing monitoring of risks (including environmental, social and governance risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;

- 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 the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; 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.

WHISTLEBLOWING POLICY

The Company has in place the Whistleblowing Policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

ANTI-CORRUPTION AND ANTI-BRIBERY POLICY

The Company has in place the Anti-Corruption and Anti-Bribery Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company and stakeholders to report any suspected corruption and bribery.

During the year ended 31 December 2022, 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 2022, 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. 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 and the Board Diversity Policy and Director Nomination Policy 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 2022, the Nomination Committee held 1 meeting. The members of Nomination Committee reviewed and discussed the current structure, size and composition of the Board and the independence of the independent non-executive Directors, the qualifications of the retiring Directors standing for election at the annual general meeting and reviewed the Board Diversity Policy and Director Nomination Policy. The Nomination Committee has recommended the Board to adopt an measurable objective as disclosed in the session headed "Board Diversity" in this Corporate Governance Report for 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 and revised terms of reference on 30 December 2022 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. The Remuneration Committee is also responsible for reviewing and/or approving matters relating to the share schemes under Chapter 17 of the Listing Rules.

During the year ended 31 December 2022, 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. No material matters relating to share schemes were reviewed and/or approved by the Remuneration Committee during the financial year.

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:

	2022 Number of individuals	2021 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 A.2.1 of the CG Code.

During the year ended 31 December 2022, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and similar written guidelines for employees, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

MEETING WITH INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2022, the Chairman of the Board held one meeting with the independent non-executive Directors without the presence of the other executive Directors to review and discuss, among other things, the independence of the independent non-executive Directors and confirmed that the independent non-executive Directors can express their views at the Board meetings without restrictions.

COMPANY SECRETARY

During the year ended 31 December 2022, 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.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has in place a Shareholders' Communication Policy. The policy aims at to set out the principles of the Company with the objective of ensuring equal, timely, effective, transparent, accurate and open communications with the shareholders of the Company.

Information is communicated to the shareholders mainly through the Company's interim reports, annual reports, annual general meetings and other general meetings that may be convened, as well as by making available the disclosures submitted to the Stock Exchange for publication and corporate communications and other corporate publications on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.chinasilver.hk.

The Company has established the following channels for maintaining an on-going dialogue with its shareholders to communicate their views on various matters affecting the Company, as well as to solicit and understand the views of shareholders and stakeholders:

1. Methods for shareholders to send enquiries to the Company and the Company's share registrar regarding the Company and their shareholdings, respectively

2. Corporate communication (e.g. annual report, interim report, circular, proxy form, etc.)
    - interim and annual results are announced as early as possible, to keep shareholders informed of the Group's performances and operations

3. Corporate website
   - updated key information of the Group is available on the Company's website to enable shareholders and investors to have timely access to information about the Group

4. Shareholders' general meetings
   - a forum for shareholders to raise comments and exchange views with the Board
   - the chairman and the Directors are available at the general meetings of the Company to address shareholders' queries
   - 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 to facilitate enforcement of shareholders' rights

The Company recognizes the importance of shareholders' privacy and will not disclose shareholders' information without their consent, unless required by law to do so.

The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

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 5, 17/F, 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 5, 17/F, 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 5, 17/F, 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.

DIVIDEND POLICY

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 reports of the Company.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, the Company has not made any change to its memorandum and articles of association. An up to date version of the Company's memorandum and articles of association is available on the Company's website and the Stock Exchange's website.

On behalf of the Board
Chen Wantian
Chairman

Hong Kong, 28 March 2023

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 2022.

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**"), (iii) the operation of Shanghai Huatong, a professional integrated silver exchange platform in the PRC (the "**Silver Exchange segment**"), and (iv) a fresh food retail segment operated under CSMall Group, integrated online-and-offline sales of fresh food in the RPC, and provide related electronic platforms and branding and SaaS (Software as a service) services along the agricultural supply chain in the PRC (the "**Fresh Food Retail 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 2022 using financial key performance indicators are provided in the sections headed "Chairman's Statement" on pages 6 to 15 and "Management Discussion and Analysis" on pages 16 to 25 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, Silver Exchange segment and Fresh Food Retail 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, during the year ended 31 December 2022, 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 and Fresh Food 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 raw material and silver ingots suppliers of the Manufacturing segment, and suppliers and business partners of the New Jewellery Retail segment, Silver Exchange segment and Fresh Food Retail segment which supply raw materials and 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 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 66 of this report.

The Board has resolved not to recommend payment of a final dividend for the years ended 31 December 2022 and 2021. No interim dividend has been declared for the year ended 31 December 2022.

FIVE YEARS' FINANCIAL SUMMARY

A financial summary of the Group for the last five years is set out on page 156 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 2022, the Group's sales to its five largest customers and its largest customer accounted for approximately 24.5% (2021: 59.0%) and 9.5% (2021: 19.5%) of the Group's total sales respectively.

For the year ended 31 December 2022, the Group's five largest suppliers and the largest supplier accounted for approximately 46.4% (2021: 77.7%) and 21.9% (2021: 19.7%) 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.

REPORT OF THE DIRECTORS

RESERVES

Movements in reserves of the Group during the year ended 31 December 2022 are set out in page 69 of this report.

As of 31 December 2022, the reserves of our Company available for distribution to shareholders amounted to RMB676,873,000 (2021: RMB532,658,000).

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 bank borrowings of the Group as of 31 December 2022 are set out in Note 31 respectively to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2022 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 26 to 27 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company, based on such confirmations, considers such Directors to be independent for the year ended 31 December 2022.

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 2022.

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 2022.

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 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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[2]	405,722,187	20.76%
	Beneficial interest[2]	5,700,000	0.29%
Mr. Song Guosheng	Beneficial interest[3]	956,797	0.05%

Notes:

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[2]	10,462,036	0.85%
	Beneficial interest[2]	17,500	0.00%

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2022 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 2022, in addition to the interests disclosed under the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, our Company was notified of the following substantial shareholders' interests and short positions in the Shares and underlying Shares, being interests of 5% or more.

Interests in Shares of the Company

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

Notes:

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

Save as disclosed above, as at 31 December 2022, our Company had not been notified by any person or corporation who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by our Company under Section 336 of Part XV of the SFO.

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 2022.

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 2022. 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 2022, 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 2022 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 2022, 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

Various regulations in the PRC restrict foreign-invested enterprises from holding certain licenses required to operate business in relation to value-added telecommunication services. Foreign investment activities in the PRC are subject to the restrictions as set forth in the Special Administrative Measures for Foreign Investment Access (Negative List) (2020 Version) (the "**2020 Negative List**"), which was promulgated and amended from time to time jointly by the National Development and Reform Commission of the PRC (the "**NDRC**") and Ministry of Commerce of the PRC (the "**MOFCOM**"), the latest version of which was released on June 23, 2020 and became effective on June 23, 2020. Foreign investment in industries which fall within the 2020 Negative List shall be subject to special administration measures as set forth therein.

According to the 2020 Negative List, foreign invested telecommunications enterprises (each a "**FITE**") in the PRC are generally required to be established as Sino-foreign equity joint ventures with limited exceptions. In general, the foreign party to a FITE engaging in value-added telecommunications services may hold up to 50% of the equity of the FITE, of which the geographical area it may conduct telecommunications services is provided by the Ministry of Industry and Information Technology in accordance with relevant provisions as mentioned above. In addition, the major foreign investor in a value-added telecommunications business in China must satisfy a number of stringent performance and operational experience requirements, including demonstrating a good track record and experience in operating a value-added telecommunications business overseas.

During the year ended 31 December 2022, certain business activities of the Group which are categorised as "restricted" business under the PRC laws and regulations have been carried by the Group through a series of contractual arrangements (the "**VIE Agreements**") with certain PRC nationals to control (i) Shanghai Huatong Silver Exchange*（上海華通鉑銀交易市場有限公司）("**Shanghai Huatong**", together with its subsidiaries, the "**Huatong Structured Entities**"), a limited liability company established in the PRC, pursuant to which the economic benefits and control of Shanghai Huatong are transferred to the relevant subsidiary of the Company (the "**Huatong VIE Structure**") through the contractual arrangements (the "**Huatong VIE Agreements**"), and (ii) Jiangsu Nongmuren Electronic Business Corp.*（江蘇農牧人電子商務股份有限公司）("**Jiangsu Nongmuren**", or the "**Nongumren Structured Entity**"), a company incorporated in the PRC limited by shares, pursuant to which the economic benefits and control of Jiangsu Nongmuren are transferred to the relevant subsidiary of the Company (the "**Nongmuren VIE Structure**") through the contractual arrangements (the "**Nongmuren VIE Agreements**") (the Huatong VIE Structure and the Nongmuren VIE Structure, collectively, the "**VIE Structures**"; and the Nongmuren Structured Entity and the Huatong Structured Entities, collectively, the "**Structured Entities**").

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

Jiangsu Nongmuren currently holds the ICP (Internet Content Provider) License (No. SU B2-20170344) issued by the Jiangsu Communications Administration, under which Jiangsu Nongmuren operates two types of businesses and services, including (1) Online data processing and transaction processing services (operating e-commerce) in Category II of value-added telecommunications services; and (2) Information services in Category II value added telecommunications services (limited to internet information services).

Given that the foreign investment in the industries in which the Structured Entities operate are subject to restrictions under PRC laws and regulations, the VIE Agreements were entered into to allow the Company to exercise control over the operations of the Structured Entities and enjoy the economic benefits generated by the Structured Entities via the contractual arrangements.

The VIE Agreements are narrowly tailored as they are necessary to address the foreign ownership restriction for the Company in the value-added telecommunication business, as set forth above. The VIE Agreements are also narrowly tailored to achieve the business purposes of the Company and minimize the potential for conflict with relevant PRC laws and regulations.

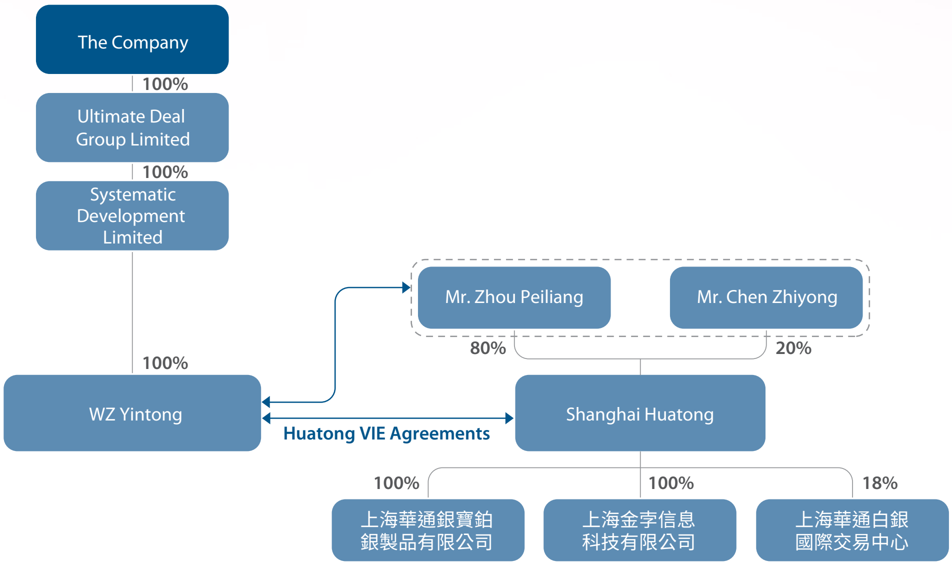
(i) VIE Structures

Huatong VIE Structure

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 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.

The following diagram illustrates the shareholding and ownership structure of Shanghai Huatong:



The Huatong VIE Agreements comprise the following agreements:

(1) An exclusive option agreement entered into between WZ Yintong, Mr. Zhou Peiliang, Mr. Chen Zhiyong and Shanghai Huatong, whereby, upon the exercise of rights by WZ Yintong under its sole discretion, Mr. Zhou Peiliang and Mr. Chen Zhiyong irrevocably agree to, to the extent permitted under the laws of PRC, transfer to WZ Yintong some or all of their equity interests in Shanghai Huatong, and Shanghai Huatong irrevocably agrees to, to the extent permitted under the laws of PRC, transfer to WZ Yintong some or all of the assets of Shanghai Huatong;

(2) An exclusive consultancy and services agreement entered into between WZ Yintong and Shanghai Huatong, whereby Shanghai Huatong engages WZ Yintong on an exclusive basis to provide consultancy services and agrees to pay WZ Yintong service fees equivalent to 100% of the net income of Shanghai Huatong or any amount as agreed by the parties, and another service fee agreed separately between Shanghai Huatong and WZ Yintong for specific technology services provided by WZ Yintong on the request of Shanghai Huatong;

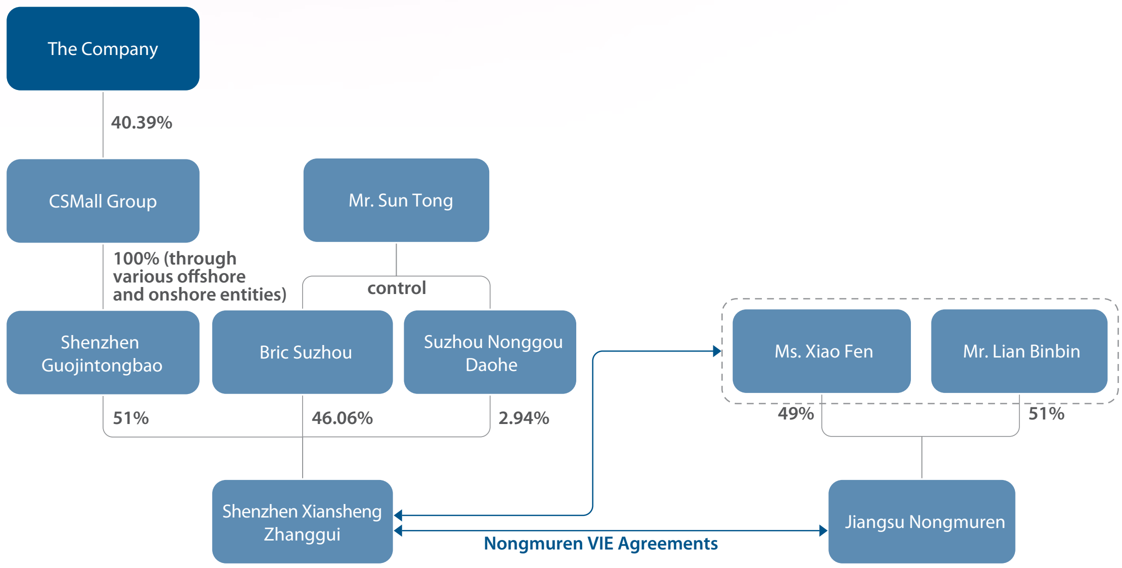
(3) A proxy agreement entered into between WZ Yintong, Mr. Zhou Peiliang, Mr. Chen Zhiyong and Shanghai Huatong, whereby Mr. Zhou Peiliang and Mr. Chen Zhiyong irrevocably undertake to authorize any persons designated by WZ Yintong to exercise on their behalf rights as shareholders of Shanghai Huatong; and

(4) A share pledge agreement entered into between WZ Yintong, Mr. Zhou Peiliang, Mr. Chen Zhiyong and Shanghai Huatong.

Nongmuren VIE Structure

Mr. Lian Binbin and Ms. Xiao Fen are the registered owners of Jiangsu Nongmuren. They are employees of the Group (not being directors of China Silver or the Company or any of their respective subsidiaries.

The following diagram illustrates the shareholding and ownership structure of Jiangsu Nongmuren:



The Nongmuren VIE Agreements comprise the following agreements:

(1) An exclusive option agreement entered into among Shenzhen Xiansheng Zhanggui Technology Co., Ltd.* (深圳鮮生掌櫃科技有限公司) ("**Shenzhen Xiansheng Zhanggui**"), Ms. Xiao Fen, Mr. Lian Binbin and Jiangsu Nongmuren, whereby Ms. Xiao Fen and Mr. Lian Binbin irrevocably grant Shenzhen Xiansheng Zhanggui an exclusive option to purchase all or part of the equity interest in Jiangsu Nongmuren and an exclusive option to purchase all or part of Jiangsu Nongmuren's assets;

(2) An exclusive consultancy and services agreement entered into between Shenzhen Xiansheng Zhanggui and Jiangsu Nongmuren, whereby Jiangsu Nongmuren exclusively engages Shenzhen Xiansheng Zhanggui to provide consultancy services and agrees to pay Shenzhen Xiansheng Zhanggui service fees in an amount equal to 100% of Jiangsu Nongmuren's annual net profit or an amount otherwise agreed by the parties;

(3) An equity pledge agreement entered into among Shenzhen Xiansheng Zhanggui, Ms. Xiao Fen, Mr. Lian Binbin and Jiangsu Nongmuren, whereby Ms. Xiao Fen and Mr. Lian Binbin agree to pledge all of their equity interest in Jiangsu Nongmuren to Shenzhen Xiansheng Zhanggui to secure their contractual obligations under the Nongmuren VIE Agreements;

(4) Shareholder voting right entrustment agreements entered into (i) among Shenzhen Xiansheng Zhanggui, Ms. Xiao Fen and Jiangsu Nongmuren; and (ii) among Shenzhen Xiansheng Zhanggui, Mr. Lian Binbin and Jiangsu Nongmuren, whereby Ms. Xiao Fen and Mr. Lian Binbin irrevocably agree to authorize any person designated by Shenzhen Xiansheng Zhanggui to exercise their rights and powers as shareholders of Jiangsu Nongmuren; and

(5) Spouse consent letters executed by (i) Ms. Xiao Fen; and (ii) the present spouse of Mr. Lian Binbin, whereby Ms. Xiao Fen undertakes to procure her future spouse to agree, and the present spouse of Mr. Lian Binbin agrees, to execute all necessary documents and take all necessary actions for ensuring the due performance of the Nongmuren VIE Agreements and not to bring any claim in respect of the equity interest in Jiangsu Nongmuren held by Ms. Xiao Fen and Mr. Lian Binbin, respectively.

(ii) Business activities of the Structured Entities, and significance and financial contribution of the Structured Entities to the Group

Shanghai Huatong is the operator of an integrated silver exchange platform in the PRC. 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.

Jiangsu Nongmuren is the developer and operator of the "農牧人" ("Nongmuren") supply chain and sales platforms, which conducts integrated online-and-offline sales of fresh food in the PRC, and provides related electronic platforms and branding and SaaS services in the PRC. Through the investment into Jiangsu Nongmuren, the Group expands its business operations from the retail of jewellery, a non-essential good, to the retail of agricultural products, an essential good, thereby digitally empowering another traditional industry, namely the agricultural products industry, and promoting the modernization of agricultural industry.

During the year ended 31 December 2022, the Structured Entities were significant to the Group as they held relevant licenses to provide internet information services. The following table sets out the registered owners and business activities of the Structured Entities:

Name of the operating company	Registered Owners
Shanghai Huatong	80% by Mr. Zhou Peiliang
	20% by Mr. Chen Zhiyong
Jiangsu Nongmuren	51% by Mr. Lian Binbin
	49% by Ms. Xiao Fen

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

	Revenue for the year ended 31 December 2022 (RMB '000)	Assets as at 31 December 2022 (RMB '000)
Huatong Structured Entities	14,769	434
Nongmuren Structured Entity	1,509,807	75,591

(iii) Risks and mitigation relating to the VIE Structures

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

(a) Uncertainties exist with respect to the interpretation and implementation of the newly enacted PRC Foreign Investment Law* (《中華人民共和國外商投資法》) (the "**2019 FIL**") and how it may impact the viability of the current corporate structure, VIE Agreements, corporate governance and business operations of the Group and the Structured Entities. If the PRC government finds that the VIE Agreements and/or the Structured Entities to operate certain businesses in the PRC through the VIE Agreements do not comply with PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, the Group could be subject to severe consequences and penalties, including the nullification of the VIE Agreements and forced relinquishment of the interests received through the VIE Agreements.

(b) The VIE Agreements may not be as effective in providing operational control as direct ownership and the Structured Entities or their shareholders may fail to perform their obligations under the VIE Agreements.

(c) The exercise of the option to acquire the equity interest in the Structured Entities may be subject to substantial amount of costs and time.

(d) Certain terms of the VIE Agreements may not be enforceable under PRC laws and enforcement of certain of the Group's rights under the VIE Agreements is subject to regulatory approval.

(e) The shareholders of the Structured Entities may have conflicts of interests with the Group, which may materially and adversely affect the Group's business and financial conditions.

(f) The relevant subsidiaries of the Group bear as the primary beneficiaries of the Structured Entities, financial support to the Structured Entities and potential exposure of the Structured Entities to losses.

(g) The VIE Agreements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed.

There are uncertainties with respect to the interpretation and implementation of the newly enacted 2019 FIL. As such, the Board will closely monitor the development of the 2019 FIL with the help of the Company's PRC legal adviser, including but not limited to any new negative list issued by or approved to be issued by the State Council, or any future laws, administrative regulations or provisions prescribed by relevant governmental authorities. The Company will then discuss with its PRC legal adviser in order to assess any possible impact arising from the development of the 2019 FIL on the VIE Agreements and the business operation of the Company and the Structured Entities.

In case there would be material and adverse effect on the Company or the business of the Structured Entities arising from the 2019 FIL, the Company will disclose, as soon as possible: (i) updates of material development to the 2019 FIL as and when it occurs; and (ii) specific measures taken by the Company to fully comply with the development to the 2019 FIL and any material impact of the development of the 2019 FIL on the Company's operations and financial position.

Up to 31 December 2022, 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 Structures are 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 Structures and will take all necessary actions to protect the Company's interest in Shanghai Huatong and Jiangsu Nongmuren.

(iv) Material changes

Save as disclosed above, during the year ended 31 December 2022, 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 2022, other than the 2014 VIE Agreements which were unwound on 22 August 2017, none of the VIE Agreements has been unwound. Given that the restrictions that led to the adoption of the VIE Agreements and the VIE Structures are still in place as of the date of this report, the VIE Agreements and the VIE Structures are still in place and there is no failure to terminate them.

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 2022 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1.1.2022	Lapsed during the period	Exercised during the period	Outstanding as of 31.12.2022
Directors							
Mr. Chen Wantian	3 July 2013	HK$0.96	3 July 2014 – 2 July 2023	2,450,000	–	–	2,450,000
	20 August 2014	HK$2.20	20 August 2015 – 19 August 2024	2,200,000	–	–	2,200,000
Mr. Song Guosheng	20 August 2014	HK$2.20	20 August 2015 – 19 August 2024	500,000	–	–	500,000
Employees*							
In aggregate	20 August 2014	HK$2.20	20 August 2015 – 19 August 2024	21,000,000	–	–	21,000,000
	2 January 2015	HK$1.80	2 January 2016 – 1 January 2025	44,800,000	–	–	44,800,000
				70,950,000	–	–	70,950,000

* includes a consultant who has a labour contract with the Group.

The total number of Shares available for issue under the 2012 Scheme at the beginning and the end of the financial year is 70,950,000 representing approximately 3.63% of the Company's issued share capital as at 31 December 2022 and as at the date of this report.

Details of the movement of the share options granted under the 2015 Scheme during the year ended 31 December 2022 are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Outstanding as of 1.1.2022	Lapsed during the period	Exercised during the period	Outstanding as of 31.12.2022
Employees							
In aggregate	27 August 2015	HK$1.97	27 August 2016 – 26 August 2025	81,000,000	–	–	81,000,000
				81,000,000	–	–	81,000,000

The total number of Shares available for issue under the 2015 Scheme at the beginning and the end of the financial year is 81,000,000, representing approximately 4.15% of the Company's issued share capital as at 31 December 2022 and as at the date of this report.

The number of options available for grant under the scheme mandate under all Share Option Schemes at the beginning and the end of the financial year is 132,059,658.

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 2022 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 3 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. The Audit Committee has also reviewed and discussed with the external auditors the audited consolidated financial statements for the year ended 31 December 2022. 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 2022.

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 2022.

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 2022.

TAX RELIEF

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

CORPORATE GOVERNANCE

The Company is committed to the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 28 to 44 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 2022 and up to the date of this report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2022 have been audited by Linksfield CPA Limited. Linksfield CPA Limited was appointed as auditor of the Company on 19 January 2023 after the resignation of Moore Stephens CPA Limited.

Linksfield 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 Linksfield CPA Limited as auditor of the Company.

On behalf of the Board
Chen Wantian
Chairman

Hong Kong, 28 March 2023

INDEPENDENT AUDITOR'S REPORT

LINKSFIELD CPA LIMITED
金道連城會計師事務所有限公司
Units 2001-02, 20/F., Podium Plaza, 5 Hanoi Road,
Tsim Sha Tsui, Hong Kong
香港尖沙咀河內道5號普基商業中心20樓2001-02室

TO THE SHAREHOLDERS OF CHINA SILVER GROUP LIMITED
(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 (the "Group") set out on pages 66 to 155, which comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

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. 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.

Basis for Disclaimer of Opinion

We were appointed as the auditor of the Company in respect of the Group's consolidated financial statements for the year ended 31 December 2022 on 19 January 2023.

Comparability of the current year's figures and the corresponding figures for the year ended 31 December 2021 in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity

As described in Note 24 to the consolidated financial statements of the Group for the year ended 31 December 2021, certain raw materials of Jiangxi Longtianyong Nonferrous Metals Co. Ltd. ("**Jiangxi Longtianyong**") 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 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 during the year ended 31 December 2021. As a result, write-off of inventories amounting to RMB2,408,511,000 had been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

As set out in predecessor auditor's report dated 13 May 2022 on the consolidated financial statements of the Group for the year ended 31 December 2021, the predecessor auditor did not observe the counting of physical inventories in the process of disposing of the relevant inventories and were unable to satisfy themselves by alternative means concerning the inventory condition and inventory quality being disposed of on relevant disposal dates. The predecessor auditor did not express an opinion on the consolidated financial statements of the Group because of the scope limitation on inability to obtain sufficient appropriate audit evidence concerning the inventory write-off on the disposal dates 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 then ended, and the related disclosures thereof in the consolidated financial statements.

Because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2021 in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and the related notes disclosures, our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2022 is therefore modified.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw your attention to Note 2.1 to the consolidated financial statements, which states that the Group incurred a net loss of RMB144,836,000 for the year ended 31 December 2022. These matters, along with other matters as described in Note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. This matter did not contribute to our issuance of the disclaimer of opinion.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's 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. We report solely to you, as a body, 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, it is not possible for us to form an opinion on these consolidated financial statements due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the 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.

The engagement partner on the audit resulting in this independent auditor's report is Chan Tsz Yeung.

Linksfield CPA Limited
Certified Public Accountants

Hong Kong, 28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	6	**3,246,344**	2,303,523
Cost of sales and services provided		**(3,171,777)**	(2,164,578)
Gross profit		**74,567**	138,945
Other income, net	7	**7,185**	6,268
Other gains and losses, net	8	**(9,457)**	(11,138)
Selling and distribution expenses		**(41,982)**	(30,400)
Administrative expenses		**(100,359)**	(101,896)
Research and development expenses	9	**(1,015)**	(1,488)
(Provision for) reversal of impairment loss under expected credit loss model, net	10	**(1,651)**	9,004
Write-off of inventories	24	**–**	(2,408,511)
Impairment loss on intangible assets		**(57,678)**	–
Finance costs	11	**(22,581)**	(14,181)
Loss before income tax		**(152,971)**	(2,413,397)
Income tax credit	12	**8,135**	6
Loss for the year	13	**(144,836)**	(2,413,391)
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")		**(29)**	(30)
Total comprehensive expense for the year		**(144,865)**	(2,413,421)
Loss for the year attributable to:			
Owners of the Company		**(120,766)**	(2,412,925)
Non-controlling interests		**(24,070)**	(466)
		(144,836)	(2,413,391)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(120,795)**	(2,412,955)
Non-controlling interests		**(24,070)**	(466)
		(144,865)	(2,413,421)
		RMB	RMB
Loss per share	16		
Basic		**(0.065)**	(1.482)
Diluted		**(0.065)**	(1.482)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**127,814**	141,790
Goodwill	20	**12,476**	–
Right-of-use assets	18	**20,763**	23,777
Intangible assets	19	**34,321**	97,208
Deferred tax assets	21	**6,295**	8,626
Refundable rental deposits		**762**	996
Equity instrument at FVTOCI	22	**7,348**	7,377
Deposits paid on acquisition of non-current assets	23	**2,721**	1,294
		212,500	281,068
CURRENT ASSETS			
Inventories	24	**1,056,274**	1,054,154
Trade and other receivables	25	**111,594**	69,035
Income tax recoverable		**1,385**	–
Restricted bank balances	27	**5,291**	100,415
Pledged bank deposits	27	**166,900**	40,000
Bank balances and cash	27	**589,225**	316,805
		1,930,669	1,580,409
CURRENT LIABILITIES			
Trade and other payables	28	**417,368**	335,349
Amount due to a non-controlling interest	26	**15,467**	–
Lease liabilities – current portion	29	**3,721**	3,965
Contract liabilities	30	**17,012**	19,531
Deferred income	33	**2,182**	2,182
Income tax payable		**8,165**	9,060
Bank borrowings	31	**406,382**	230,000
		870,297	600,087
NET CURRENT ASSETS		**1,060,372**	980,322
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,272,872**	1,261,390

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
CAPITAL AND RESERVES			
Share capital	32	**15,935**	13,284
Share premium and reserves		**420,803**	387,802
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**436,738**	401,086
Non-controlling interests		**821,145**	832,221
TOTAL EQUITY		**1,257,883**	1,233,307
NON-CURRENT LIABILITIES			
Deferred tax liabilities	21	**1,549**	9,803
Lease liabilities – non-current portion	29	**1,718**	4,378
Deferred income	33	**11,722**	13,902
		14,989	28,083
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**1,272,872**	1,261,390

The consolidated financial statements on pages 66 to 155 were approved and authorised for issue by the Board of Directors on 28 March 2023 and were signed on its behalf by:

CHEN WANTIAN
DIRECTOR

SONG GUOSHENG
DIRECTOR

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Capital reserve RMB'000 (Note i)	Statutory reserve RMB'000 (Note ii)	Exchange reserve RMB'000	FVTOCI reserve RMB'000	Retained profit (accumulated losses) RMB'000	Subtotal RMB'000	Attributable to non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	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
Comprehensive expense											
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)
Transactions with owners											
Transfers	–	–	–	–	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
Comprehensive expense											
Loss for the year	–	–	–	–	–	–	–	(120,766)	(120,766)	(24,070)	(144,836)
Other comprehensive expense for the year	–	–	–	–	–	–	(29)	–	(29)	–	(29)
Total comprehensive expense for the year	–	–	–	–	–	–	(29)	(120,766)	(120,795)	(24,070)	(144,865)
Transactions with owners											
Issue new shares (Note iii)	2,651	153,796	–	–	–	–	–	–	156,447	–	156,447
Acquisition of a non-wholly owned subsidiary (Note iv)	–	–	–	–	–	–	–	–	–	12,994	12,994
At 31 December 2022	15,935	1,255,434	90,366	129,731	214,306	(2,736)	(1,615)	(1,264,683)	436,738	821,145	1,257,883

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 43(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 income tax 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.

(iii) During the year ended 31 December 2022, the Group issue an aggregate of 325,680,117 new shares to three investors. The Group received approximately of HK$191,151,000 (or approximately of RMB155,108,000) net proceeds from the subscription. Details are set out in Note 32.

(iv) During the year ended 31 December 2022, the Group acquired 51% equity interest in Jiangsu Nongmuren Electronic Business Corp ("**Jiangsu Nongmuren**") from independent third parties by way of capital injection of RMB26,000,000 payable in cash to Jiangsu Nongmuren in two installments. Upon the completion of the transaction, the Group held 51% equity interest of Jiangsu Nongmuren. Details are set out in Note 39.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(152,971)**	(2,413,397)
Adjustments for:		
Amortisation of intangible assets	**12,179**	10,630
Bank interest income	**(2,787)**	(1,422)
Depreciation of property, plant and equipment	**17,741**	18,842
Depreciation of right-of-use assets	**4,334**	6,473
Loss on early termination of leases	**–**	32
Finance costs	**22,581**	14,181
Provision for (reversal of) impairment loss under expected credit loss model, net	**1,651**	(9,004)
Write-off of inventories	**–**	2,408,511
Gain on disposal of a subsidiary	**(19)**	–
Loss on write-off and disposal of property, plant and equipment	**6,203**	11,994
Impairment loss on intangible assets	**57,678**	–
Release of deferred income	**(2,182)**	(2,183)
Operating cash flows before movements in working capital	**(35,592)**	44,657
Increase in inventories	**(1,955)**	(885,082)
Decrease in refundable rental deposits	**234**	100
Decrease in trade and other receivables	**65,150**	223,072
Decrease in trade and other payables	**(31,260)**	(176,229)
Decrease (increase) in restricted bank balances	**95,124**	(24,045)
Decrease in contract liabilities	**(2,519)**	(33,753)
Increase in deferred income	**–**	1,161
Cash generated from (used in) operations	**89,182**	(850,119)
Income tax paid	**(1,811)**	(19,125)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**87,371**	(869,244)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement of pledged bank deposits		**(261,900)**	(40,000)
Withdrawal of pledged bank deposits		**135,000**	47,008
Settlement for the provision for the termination of assignment contracts		**–**	(30,881)
Purchase of property, plant and equipment		**(10,581)**	(5,782)
Deposits paid on acquisition of property, plant and equipment		**–**	(2,584)
Refund of deposits paid on acquisition of a land use right		**–**	25,275
Proceeds from disposal of property, plant and equipment		**771**	3,066
Interest income received		**2,787**	1,422
Net cash inflow from acquisition of a subsidiary	39	**1,398**	–
Net cash used in investing activities		**(132,525)**	(2,476)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from bank borrowings		**452,588**	230,000
Repayment of bank borrowings		**(280,001)**	(205,000)
Advances from third parties		**–**	4,687
Advances from a non-controlling interest		**15,467**	–
Proceeds from issue of new shares		**156,447**	–
Interest paid		**(22,696)**	(14,172)
Repayment of trade loans		**–**	(10,000)
Repayment of lease liabilities		**(4,231)**	(5,197)
Repayment to third parties		**–**	(4,687)
Repayment to 上海華通白銀國際交易中心 ("Huatong International")		**–**	(95)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		**317,574**	(4,464)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**272,420**	(876,184)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**316,805**	1,192,989
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**589,225**	316,805

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 of Hong Kong Limited (the "**Stock Exchange**") since 28 December 2012.

The address of the registered office is Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands and principal place of business in Hong Kong of the Company is Unit 5, 17/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

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 People's Republic of China (the "**PRC**"); (ii) design and sale of gold, silver, colored gemstones, gem-set and other jewellery products in the PRC; (iii) provide professional electronic platform and related services for trading of silver ingots; and (iv) integrated online-and-offline sales of fresh food in the PRC, and providing related electronic platforms and branding and software as a service ("**SaaS**") services along the agricultural supply chain in the PRC.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

Going concern basis

The Group incurred a net loss of RMB144,836,000 for the year ended 31 December 2022. During the year ended 31 December 2021, Jiangxi Longtianyong was subjected to two administrative penalty notices and a rectification notice (collectively, the "**Notices**") issued by the Ji'an City Yongfeng Ecology and Environment Bureau to undertake rectification measures including demolition of non-compliant facilities and construction of new compliant facilities. In light of such circumstances, the Group has demolished non-compliant facilities and completed the construction of new facilities during the years ended 31 December 2021 and 2022, respectively. The production facilities of silver and palladium had been put into operation since June 2022 and August 2022, respectively. However, as a result of (i) the stringent COVID-19 prevention and control measures implemented in the PRC (including Yongfeng County where Jiangxi Longtianyong is based) up to November 2022; (ii) the gradual relaxation of these measures and the ensuing widespread resurgence of COVID-19 in the PRC in November 2022 to December 2022; and (iii) the weak PRC economy and consumer sentiment in general, the operations of Jiangxi Longtianyong's production facilities and the demand for its silver and palladium products had been adversely affected, and hence its production activities had still not reached an optimal scale as at the end of 2022. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the ability of the Group to attain profit and positive cash flows from operations in the immediate and longer term.

The ability of the Group to operate as a going concern is also dependent upon the availability of the banking facilities. As at 31 December 2022, the Group had bank borrowings of RMB406,382,000 which would all be due within one year. The directors of the Company do not expect to experience significant difficulties in renewing most of these bank borrowings upon their maturities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Going concern basis (Continued)

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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) The Group will closely monitor and supervise its production activities and carry out possible further rectification works to ensure that the Group will comply with the relevant national environmental laws. In particular, Jiangxi Longtianyong will continue to (i) communicate with the relevant governmental authorities in order to achieve the final acceptance of its facilities for the production of silver and palladium, which will enable a wider range of production processes to be carried out; (ii) complete the installation, testing and trial run of its facilities for the production of other products such as tin and lead; and (iii) ramp up its production levels in light of the continued subsidence of COVID-19 and expected economic recovery in the PRC. The Group is also maximising its sales effort, including speeding up of sales of its existing inventories and seeking new markets or new customers, exploring new business opportunities and implementing more stringent cost control measures with a view to improving operating cash flows.

(b) The Group has maintained long business relationships with its principal bankers, and for borrowings which will be maturing before 31 December 2023, the Group is actively negotiating with the banks before they fall due to secure their renewals so as to ensure that the necessary funds to meet the Group's working capital and financial requirements in the future will continue to be available.

The directors have reviewed the Group's cash flow projections prepared by management that covered a period of not less than twelve months from the end of the reporting period and considered that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period, and therefore it is appropriate to prepare the consolidated financial information 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

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

The application of the amendments to IFRSs in the current year has 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(b) New Standards 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 related Amendments[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
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	Non-current Liabilities with Covenants[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.

[2] Effective for annual periods beginning on or after 1 January 2024.

[3] Effective for annual periods beginning on or after a date to be determined.

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new standards, amendments to existing standards, interpretations and accounting guideline. These standards, amendments and interpretation are not expected to have a material financial impact on the Group in the future reporting periods and on foreseeable future transactions. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements. The Group intends to adopt the above new standards, amendments to existing standards, interpretations and accounting guideline when they become effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of financial position respectively.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are reclassified to profit or loss, as part of the gain or loss on sale.

2.3 Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired entity,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combination (Continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit or loss. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment losses. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Company's functional currency is RMB, which is the Company's and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.7 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Revenue from contracts with customers (Continued)

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.

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.

2.8 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Leases (Continued)

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;
- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

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;
- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Borrowing costs

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

2.10 Government grants

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

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

2.11 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Taxation (Continued)

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.

2.13 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 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.

Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The Group performs it's annual impairment reviews for goodwill as at 31 December every year. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.15 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or 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.

2.16 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.

2.17 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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 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.

2.19 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Financial instruments (Continued)

Financial assets (Continued)

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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

i) Significant increase in credit risk

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

ii) Definition of default

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

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

iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets (Continued)

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 amount due to a non-controlling interest trade and other payables, 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. FINANCIAL 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, amount due to a non-controlling interest, trade and other payables, lease liabilities and bank borrowings, 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.

(a) 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, amount due to a non-controlling interest, trade and other payables, 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.

(i) Market risk

Currency risk

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

	Assets		**Liabilities**	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong dollar	**934**	1,678	**1,106**	1,222
United States dollar	**20**	7	**–**	–

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.

3. FINANCIAL RISK MANAGEMENT (Continued)

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

(i) Market risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in the relevant foreign currencies against RMB. 5% (2021: 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% (2021: 5%) change in foreign currency rates. A positive/negative number below indicates a decrease/an increase in Loss for the year (2021: a decrease/an increase in Loss for the year) where the relevant foreign currency strengthens 5% (2021: 5%) against RMB. For a 5% (2021: 5%) weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the Loss for the year.

	Hong Kong dollar		**United States dollar**	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loss for the year	**(1)**	(17)	**–**	–

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate pledged bank deposits, lease liabilities and bank borrowings (see Notes 27, 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 27 for details).

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

Sensitivity analysis

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 (2021: 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 (2021: 25 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2022 would increase/decrease by RMB769,000 (2021: loss for the year would decrease/increase by RMB781,000).

3. FINANCIAL RISK MANAGEMENT (Continued)

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

(i) Market risk (Continued)

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 2022 and 2021.

(ii) 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, 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.

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.

3. FINANCIAL RISK MANAGEMENT (Continued)

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

(ii) Credit risk and impairment assessment (Continued)

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 2022 and 2021, the Group assessed the ECL for other receivables and deposits are insignificant and thus no loss allowance is recognised.

Restricted bank balances, pledged bank deposits and 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 2022, the cash and cash equivalents were deposited in reputable financial institutions in the PRC. The Group had certain concentration of credit risk as 99.3% (2021: 86.1%) 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.

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

	2022	2021
Amount due from the largest debtor as a percentage to total trade receivables	**11%**	28%
Total amount due from the five largest debtors as a percentage of total trade receivables	**40%**	59%

3. FINANCIAL RISK MANAGEMENT (Continued)

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

(ii) Credit risk and impairment assessment (Continued)

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

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

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 2022 Gross carrying amount		31 December 2021 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)	19,754		11,095	
	25	(Note 2)	Lifetime ECL (individual assessment)	9,567		17,418	
	25	Loss (Note 2)	Credit impaired	5,583	34,904	7,011	35,524
Refundable deposits (included in other receivables, deposits and prepayments)	25	(Note 1)	12m ECL		4,272		5,609
Other receivables	25	(Note 1)	12m ECL		2,957		2,961
Restricted bank balances	27	(Note 3)	12m ECL		100,415		100,415
Pledged bank deposits	27	(Note 3)	12m ECL		40,000		40,000
Bank balances	27	(Note 3)	12m ECL		58,925		316,338

3. FINANCIAL RISK MANAGEMENT (Continued)

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

(ii) Credit risk and impairment assessment (Continued)

Notes:

1. For refundable deposits and other receivables, 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

	2022			2021		
	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)	14,449	2.83%	409	5,430	3.23%	176
1-30 days past due	1,759	7.25%	128	1,688	7.98%	135
31-60 days past due	66	12.81%	8	757	16.23%	123
61-90 days past due	97	17.50%	17	767	18.15%	139
More than 90 days past due	3,385	75.01%	2,539	2,453	72.16%	1,770
	19,756		3,101	11,095		2,343

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 RMB9,567,000 and RMB5,583,000 respectively as at 31 December 2022 (2021: RMB17,418,000 and RMB7,011,000) were assessed individually.

3. FINANCIAL RISK MANAGEMENT (Continued)

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

(ii) 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
At 1 January 2021	20,044	978	21,022
Changes due to financial instruments recognised as at 1 January 2021:			
– Transfer to credit-impaired	(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
At 31 December 2021	**5,007**	**7,011**	**12,018**
Changes due to financial instruments recognised as at 1 January 2022:			
– Impairment losses reversed	**(173)**	**(30)**	**(203)**
– Impairment losses recognised	**841**	**1,013**	**1,854**
– Exchange realignment	**674**	**–**	**674**
At 31 December 2022	**6,349**	**7,994**	**14,343**

As at 31 December 2022, impairment loss of RMB3,101,000 (2021: RMB2,343,000) and RMB1,013,000 (2021: RMB2,664,000) on not credit-impaired trade receivables were provided based on the provision matrix and individual assessment, respectively. During the year ended 31 December 2022, reversal of impairment allowance of RMB30,000 (2021: RMB400,000) 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 nil (2021: RMB3,771,000) 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 loss for credit-impaired trade receivables is recognised during the years ended 31 December 2022 and 2021.

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 these balances.

3. FINANCIAL RISK MANAGEMENT (Continued)

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

(iii) 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	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2022							
Trade and other payables	–	272,415	–	–	–	272,415	272,415
Amount due to a non-controlling interest	–	15,467	–	–	–	15,467	15,467
Lease liabilities	4.47%	333	642	2,858	1,771	5,604	5,439
Bank borrowings – fixed rate	5.16%	74,330	11,863	153,748	–	239,941	223,382
Bank borrowings – variable rate	6.13%	984	1,814	195,904	–	198,702	183,000
		363,529	14,319	352,510	1,771	732,129	699,703
As at 31 December 2021							
Trade 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

3. FINANCIAL RISK MANAGEMENT (Continued)

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

(iii) 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 at 31 December 2022 RMB'000	Fair value at 31 December 2021 RMB'000	Fair value hierarchy	Valuation technique(s) and input(s)	Significant unobservable input(s)
Equity instrument at FVTOCI	**7,348**	7,377	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 2022 and 2021.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Control over CSMall Cayman and its subsidiaries

Note 43(iii) describes that CSMall Cayman and its subsidiaries are accounted for as subsidiaries of the Group although the Group has 40.39% (2021: 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 43(iii).

As at 31 December 2022, the Group holds 40.39% (2021: 40.39%) ownership of CSMall Cayman and is the single largest shareholder of CSMall Cayman. The remaining 59.61% (2021: 59.61%) shareholdings are mainly attributed by 7.18% (2021: 7.34%) 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 32.79% (2021: 32.63%) 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% (2021: 40.39%) shareholdings dominate voting interest would be sufficient to give it control over CSMall Cayman and direct the relevant activities of CSMall Cayman.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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. Details of the impairment of intangible assets is disclosed in Note 19.

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. 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.

Allowance for inventories

Inventories are valued at the lower of cost and net realisable value. The management regularly reviews its inventory levels and ageing analysis in order to identify potential valuation problem of inventories. The management estimates the net realisable value of those inventories based primarily on the current market conditions and subsequent selling price. The Group makes allowance for inventory when the Group identifies items of inventories which have a net realisable value that is lower than its carrying amount.

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the trade receivables and the Group's ECL are disclosed in Notes 25 and 3, respectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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: (i) 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.

Consolidation of controlled structured entities

The Group obtained controls over certain VIEs by entering into a series of the Contractual Arrangements with the VIEs and their respective Nominee Shareholders. Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the VIEs and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the VIEs. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among the VIEs and their respective Nominee Shareholders are in compliance with the relevant PRC Laws and are legally enforceable.

Business combinations

Business combinations are accounted for under the acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. Although the Group believes that the assumptions and estimates applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material. See Note 39 for details.

Recoverability of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. Judgment is required to determine the testing level and appropriate impairment approaches, i.e. fair value less costs of disposal or value in use, for impairment review purposes, and to select key assumptions and estimates applied in the adopted valuation models, including discounted cash flows and market approach. Changing the assumptions and estimates selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions and estimates applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income. See Note 20 for details.

5. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the 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, coloured gemstones, gem-set and other jewellery products in the PRC ("**New Jewellery Retail segment**");

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

(iv) integrated online-and-offline sales of fresh food in the PRC, and providing related electronic platforms and branding and SaaS services along the agricultural supply chain in the PRC ("**Fresh Food Retail segment**").

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

(a) Segment revenue and results

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

For the year ended 31 December 2022

	Manufacturing segment RMB'000	New Jewellery Retail segment RMB'000	Silver Exchange segment RMB'000	Fresh Food Retail segment RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue							
External sales	1,441,305	280,463	14,769	1,509,807	3,246,344	–	3,246,344
Inter-segment sales*	83,669	41	–	–	83,710	(83,710)	–
Total segment revenue	1,524,974	280,504	14,769	1,509,807	3,330,054	(83,710)	3,246,344
Results							
Segment results	(22,368)	(9,105)	(60,260)	(18,111)	(109,844)	–	(109,844)
Non-segment items							
Unallocated income, expenses, gains and losses							(20,797)
Unallocated finance costs							(22,330)
Loss before income tax							(152,971)

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

5. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

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 income 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.

Segment results represent profit earned (loss incurred) by each segment, without allocation of property, administrative expenses, certain other income, certain other gains and losses, 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 2022

	Manufacturing segment RMB'000	New Jewellery Retail segment RMB'000	Silver Exchange segment RMB'000	Fresh Food Retail segment RMB'000	Total RMB'000
Assets					
Segment assets	483,171	1,535,864	36,866	76,841	2,132,742
Unallocated corporate assets					10,427
Total assets					2,143,169
Liabilities					
Segment liabilities	586,457	193,981	17,262	72,751	870,451
Unallocated corporate liabilities					14,835
Total liabilities					885,286

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

5. SEGMENT INFORMATION (Continued)

(c) Other segment information

For the year ended 31 December 2022

	Manufacturing segment RMB'000	New Jewellery Retail segment RMB'000	Silver Exchange segment RMB'000	Fresh Food Retail 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)	–	(11,043)	(774)	–	(12,179)
Depreciation of property, plant and equipment	(11,961)	(4,560)	(1,143)	(77)	–	(17,741)
Depreciation of right-of-use assets	(368)	(2,598)	(4)	–	(1,364)	(4,334)
Fair value loss on investment in equity instrument at FVTOCI	–	–	(29)	–	–	(29)
Provision for impairment loss under expected credit loss model, net	(102)	(812)	–	(737)	–	(1,651)
Loss on write-off and disposal of property, plant and equipment	(5,622)	(568)	(12)	(1)	–	(6,203)
Impairment loss on intangible assets	–	–	(57,678)	–	–	(57,678)

5. SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

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)

(d) Geographical information

The Group's operations are located in the mainland of 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	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
The mainland of the PRC	**3,246,344**	2,303,523	**184,565**	262,970
Hong Kong	**–**	–	**1,054**	1,099
	3,246,344	2,303,523	**185,619**	264,069

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:

	2022	2021
	RMB'000	RMB'000
Customer A#	**N/A***	338,513
Customer B#	**N/A***	318,881
Customer C#	**N/A***	448,321

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	2022 RMB'000	2021 RMB'000
By types of goods and service		
Manufacturing segment		
– Sales of silver ingots	**1,425,756**	308,327
– Sales of palladium	**6,956**	1,448,111
– Sales of lead ingots	**–**	56,624
– Sales of other metal by-products	**8,593**	78,883
	1,441,305	1,891,945
New Jewellery Retail segment		
– Sales of gold products	**161,559**	149,893
– Sales of silver products	**115,368**	211,166
– Sales of colored gemstones	**2,842**	1,926
– Sales of gem-set and other jewellery products	**694**	1,037
	280,463	364,022
Silver Exchange segment		
– Commission income	**14,769**	47,556
Fresh Food Retail segment		
– Sales of fresh food products	**1,509,807**	–
Total	**3,246,344**	2,303,523
By geographical market		
The mainland of the PRC	**3,246,344**	2,303,523

All of the revenue are recognised at a point in time during the year ended 31 December 2022 and 2021.

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. 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.

Fresh Food Retail segment

The Group sells fresh food product directly to customers through self-operated online platform, and offline retail distribution network. Revenue is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

(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

	2022 RMB'000	2021 RMB'000
Release of deferred income (Note 33)	**2,182**	2,183
Government grants (Note)	**1,187**	1,727
Bank interest income	**2,787**	1,422
Loss on early termination of leases	**–**	(32)
Others	**1,029**	968
	7,185	6,268

Note: For the year ended 31 December 2022, government grants were received from the local government of the PRC as incentives for brand promotion and VAT subsidy (2021: incentives for brand promotion, industrial transformation and VAT subsidy) by the Group. There are no unfulfilled conditions attached to the grants.

8. OTHER GAINS AND LOSSES, NET

	2022 RMB'000	2021 RMB'000
Net exchange (loss) gain	**(3,273)**	856
Loss on write-off and disposal of property, plant and equipment (Note)	**(6,203)**	(11,994)
Others	**19**	–
	(9,457)	(11,138)

Note: 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. All amount incurred for the loss on write-off and disposal of certain plant and equipment for the year ended 31 December 2022 was not resulted from demolition of non-compliant facilities.

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

	2022 **RMB'000**	2021 RMB'000
(Provision for) reversal of impairment loss recognised in respect of trade receivables, net	**(1,651)**	9,004

Details of impairment assessment are set out in Note 3.

11. FINANCE COSTS

	2022 **RMB'000**	2021 RMB'000
Interest on bank borrowings	**22,276**	13,797
Interest on lease liabilities	**305**	384
	22,581	14,181

12. INCOME TAX CREDIT

	2022 **RMB'000**	2021 RMB'000
The PRC Enterprise Income Tax ("**EIT**")		
– current year	**81**	8,349
– overprovision in respect of prior years	**(550)**	(7,238)
	(469)	1,111
Deferred taxation – current year (Note 21)	**(7,666)**	(1,117)
	(8,135)	(6)

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

12. INCOME TAX CREDIT (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 (2021: 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.

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

	2022 RMB'000	2021 RMB'000
Loss before income tax	**(152,971)**	(2,413,397)
Tax at the domestic income tax rate of 25% (2021: 25%)	**(38,243)**	(603,350)
Tax effect of expenses not deductible for tax purpose	**9,493**	607,628
Tax effect of income not taxable for tax purpose	**(49)**	(739)
Tax effect of concessionary tax rate granted	**–**	(9,741)
Tax effect of tax losses not recognised	**20,184**	12,357
Tax effect of utilisation of tax losses previously not recognised	**(153)**	–
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**1,183**	1,077
Overprovision in respect of prior years	**(550)**	(7,238)
Income tax credit for the year	**(8,135)**	(6)

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

13. LOSS FOR THE YEAR

Expenses included in cost of sales and services provided, selling and distribution expenses and administrative expenses are analysed as follows:

	2022 RMB'000	2021 RMB'000
Directors' emoluments (Note 14)	**4,468**	4,581
Other staff costs:		
– Salaries and other allowances	**34,187**	31,129
– Retirement benefit scheme contributions	**6,291**	8,045
Total staff costs	**44,946**	43,755
Auditor's remuneration	**1,975**	2,223
Amortisation of intangible assets	**12,179**	10,630
Depreciation of property, plant and equipment	**17,741**	18,842
Depreciation of right-of-use assets	**4,334**	6,473
Cost of inventories and services recognised as expenses (included in cost of sales and services provided)	**3,171,777**	2,164,578
Write-off of inventories	**–**	2,408,511
Expenses on short-term leases in respect of office premises and retail shops	**3,757**	5,125
Pollutant handling fees	**4,366**	1,454

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 2022				
Executive directors				
Mr. Chen Wantian	–	1,143	15	1,158
Mr. Song Guosheng	–	1,664	8	1,672
Mr. Liu Jiandong	–	1,107	15	1,122
	–	3,914	38	3,952

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 2022				
Independent non-executive directors				
Dr. Li Haitao	172	–	–	172
Dr. Zeng Yilong	172	–	–	172
Mr. Song Hongbing	172	–	–	172
	516	–	–	516
Total	516	3,941	38	4,468

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 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.

During the year ended 31 December 2022, none of the directors of the Company (i) received or were paid any remuneration in respect of accepting office; and (ii) waived or has agreed to waive any emolument (2021: nil).

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

Directors' and Chief Executive's emoluments (Continued)

During the year ended 31 December 2022, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services (2021: nil).

There is no loans, quasi-loans and other dealings in favour of directors, controlled body corporates by and connected entities with such directors (2021: nil).

During the year ended 31 December 2022, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: nil).

Employees

Three directors of the Company were included in the Group's five highest paid individuals for the year ended 31 December 2022 (2021: three). The emoluments of the remaining two (2021: two) individuals are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries and allowances	**1,010**	976
Retirement benefits scheme contributions	**31**	30
	1,041	1,006

Their emoluments were within the following band:

	2022 **Number of employees**	2021 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 PER SHARE

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

	2022	2021
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share (RMB'000)	**(120,766)**	(2,412,925)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share (in thousand)	**1,868,422**	1,628,401
Effects of dilutive potential ordinary shares:		
– Share options of the Company (in thousand)	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share (in thousand)	**1,868,422**	1,628,401

For the year ended 31 December 2022 and 2021, the computation of diluted loss per share does not assume the exercise of the Company's outstanding options because the effect of exercise of these options was anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement 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							
As at 1 January 2021	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 disposal	(1,175)	(11,323)	(53,646)	(4,844)	(2,276)	–	(73,264)
As at 31 December 2021	**33,388**	**145,541**	**79,570**	**12,448**	**13,984**	**2,963**	**287,894**
Additions	**–**	**750**	**214**	**128**	**720**	**8,769**	**10,581**
Additions upon acquisition of a subsidiary (Note 39)	**–**	**–**	**–**	**158**	**–**	**–**	**158**
Transfer	**–**	**10,712**	**2,157**	**–**	**(1,693)**	**(11,176)**	**–**
Written off and disposal	**–**	**(994)**	**(23,942)**	**(302)**	**(1,323)**	**–**	**(26,561)**
As at 31 December 2022	**33,388**	**156,009**	**57,999**	**12,432**	**11,688**	**556**	**272,072**
Depreciation							
As at 1 January 2021	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 disposal	(137)	(6,670)	(44,920)	(4,316)	(2,161)	–	(58,204)
As at 31 December 2021	**17,891**	**64,919**	**43,256**	**9,156**	**10,882**	**–**	**146,104**
Provided for the year	**4,526**	**6,809**	**4,524**	**1,086**	**796**	**–**	**17,741**
Written off and disposal	**–**	**(660)**	**(17,439)**	**(286)**	**(1,202)**	**–**	**(19,587)**
As at 31 December 2022	**22,417**	**71,068**	**30,341**	**9,956**	**10,476**	**–**	**144,258**
Carrying values							
As at 31 December 2022	**10,971**	**84,941**	**27,658**	**2,476**	**1,212**	**556**	**127,814**
As at 31 December 2021	**15,497**	**80,622**	**36,314**	**3,292**	**3,102**	**2,963**	**141,790**

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 RMB61,205,000 (2021: RMB60,949,000) to secure general banking facilities set out in Note 31 for the year ended 31 December 2022.

The Group has pledged the machinery with a carrying value of nil (2021: RMB6,466,000) to secure general banking facilities and bills payables set out in Note 28 for the year ended 31 December 2022.

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 2022, for the purposes of impairment testing, property, plant and equipment with carrying amount of RMB112,843,000 (2021: RMB121,438,000), right of use assets with carrying amount of RMB16,025,000 (2021: RMB16,392,000), intangible assets with carrying amount of RMB3,850,000 (2021: RMB4,211,000), deposit paid for acquisition of property, plant and equipment with carrying amount of RMB2,721,000 (2021: RMB1,201,000) 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 value in use.

As at 31 December 2022, the management is of the opinion that since the resumption of the production of Manufacturing segment, there is no indication that property, plant and equipment, right of use assets, intangible assets and other non-current asset within the Manufacturing segment may be impaired. 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.

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.

18. RIGHT-OF-USE ASSETS

	Leases properties RMB'000 (Note i)	Leasehold land RMB'000 (Notes ii and iii)	Total RMB'000
At 31 December 2022			
Carrying amount	**4,738**	**16,025**	**20,763**
At 31 December 2021			
Carrying amount	7,385	16,392	23,777
For the year ended 31 December 2022			
Depreciation change	**3,967**	**367**	**4,334**
Expenses relating to			
– short term leases	**2,179**	**–**	**2,179**
Total cash outflow for leases	**4,536**	**–**	**4,536**
Additions to right-of-use assets	**1,327**	**–**	**1,327**
For the year ended 31 December 2021			
Depreciation change	6,038	435	6,473
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 (2021: one to five 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 2022, 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.

The Group regularly entered into short-term leases for office premises and retail shops. As at 31 December 2022 and 2021, 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.

19. INTANGIBLE ASSETS

	Patent RMB'000 (Note i)	System software RMB'000 (Note ii)	Customer relationship RMB'000 (Note iii)	Trademark RMB'000 (Note vii)	Platform RMB'000 (Note vi)	License RMB'000 (Note v)	Total RMB'000
Cost							
As at 1 January 2021	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**
At 31 December 2021	**6,000**	**57,656**	**78,363**	**34,679**	**–**	**1,800**	**178,498**
Addition upon acquisition of a subsidiary (Note 39)	**–**	**–**	**–**	**–**	**6,970**	**–**	**6,970**
As at 31 December 2022	**6,000**	**57,656**	**78,363**	**34,679**	**6,970**	**1,800**	**185,468**
Amortisation and impairment							
As at 1 January 2021	3,227	27,433	39,314	686	–	–	70,660
Provided for the year	362	2,587	7,681	–	–	–	10,630
As at 31 December 2021	**3,589**	**30,020**	**46,995**	**686**	**–**	**–**	**81,290**
At 31 December 2021	**3,589**	**30,020**	**46,995**	**686**	**–**	**–**	**81,290**
Provided for the year	**361**	**3,361**	**7,683**	**–**	**774**	**–**	**12,179**
Impairment loss during the year	**–**	**–**	**23,685**	**33,993**	**–**	**–**	**57,678**
As at 31 December 2022	**3,950**	**33,381**	**78,363**	**34,679**	**774**	**–**	**151,147**
Carrying values							
As at 31 December 2022	**2,050**	**24,275**	**–**	**–**	**6,196**	**1,800**	**34,321**
As at 31 December 2021	2,411	27,636	31,368	33,993	–	1,800	97,208

19. 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 2022 and 2021, 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) Platform acquired as part of a business combination under Fresh Food Retail segment. The intangible asset is amortised on a straight-line basis over its estimated useful lives of 9 years.

(vii) 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.

19. INTANGIBLE ASSETS (Continued)

Impairment testing on intangible assets within the Silver Exchange segment

As at 31 December 2022, for the purposes of impairment testing, trademarks of indefinite useful lives with carrying amount of RMB33,993,000 (2021: RMB33,993,000), customer relationship of definite useful life with carrying amount of RMB23,685,000 (2021: RMB31,368,000) arising on business combinations and certain system software with carrying amount of RMB24,275,000 (2021: RMB27,636,000) have been allocated to a cash-generating unit, Silver Exchange segment. As at 31 December 2022, accumulated impairment of RMB33,993,000 (2021: RMB686,000), RMB23,685,000 (2021: RMB943,000) and RMB51,000 (2021: RMB51,000) have been recognised for trademarks, customer relationship and the related system software, respectively.

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 2022, 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 22.9% (2021: 23.4%). The cash flows beyond the 5-year period are extrapolated using a diminishing growth rate from 4% to 2.1% (2021: steady growing 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 2022, the management assessed the recoverable amount of cash-generating unit was lower than its carrying amount, mainly due to the reduced commodity investors' eagerness and willingness to trade silver. There are impairment loss was identified for trademarks with indefinite useful lives, customer relationship with definite useful life and system software of approximately RMB33,990,000, RMB23,685,000 and nil respectively (2021: no impairment was identified). If there is a significant adverse change in the key assumptions, it may be necessary to have a further impairment charge to the income statement. A reasonable possible change in the key assumptions, such as the management can only archive 95% of the estimated revenue growth, the further impairment to the intangible assets would not be material to the Group.

20. GOODWILL

	RMB'000
Cost	
As at 1 January 2021 and 31 December 2021	–
Addition upon acquisition of a subsidiary (Note 39)	**12,476**
As at 31 December 2022	**12,476**
Impairment	
As at 1 January 2021, 31 December 2021 and 31 December 2022	**–**
Carrying values	
As at 31 December 2022	**12,476**
As at 31 December 2021	**–**

The goodwill is allocated to the cash-generating unit ("CGU") of Fresh Food Retail segment. For the purposes of impairment review, the recoverable amount of CGU is determined based on the value-in-use calculations which require the use of assumptions and estimates. The calculation uses pre-tax cash flow projections based on financial budgets approved by management using the estimated growth rate in revenue of 15%-30% covering a 5-year period. Cash flows beyond the 5-year period are expected to be similar to that of the 5th year, taking into account of the estimated terminal growth rate of 3%. The assumptions used for budgeted revenue and gross profit margin are considered with reference to the latest market condition and the historical data. The operating cash inflows generated from the Fresh Food Retail segment are mainly from the retail sales of fresh food products which cash are received upon sales, and accordingly the management considers the credit risk of cash flows to be insignificant. The pre-tax discount rate used is 24.4%. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the CGU. Based on the impairment review, no impairment is considered necessary as at 31 December 2022. There are no reasonably possible change in the key assumptions which would cause the carrying amount to exceed the recoverable amount for goodwill.

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:

	2022	2021
	RMB'000	RMB'000
Deferred tax assets	**6,295**	8,626
Deferred tax liabilities	**(1,549)**	(9,803)
	4,746	(1,177)

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 2021	4,279	7,333	4,354	(18,260)	(2,294)
(Charged) credited to profit or loss	(229)	(4,427)	(2,684)	8,457	1,117
At 31 December 2021 and 1 January 2022	**4,050**	**2,906**	**1,670**	**(9,803)**	**(1,177)**
Addition upon acquisition of a subsidiary (Note 39)	**–**	**–**	**–**	**(1,743)**	**(1,743)**
(Charged) credited to profit or loss	**(1,616)**	**(1,171)**	**455**	**9,998**	**7,666**
At 31 December 2022	**2,434**	**1,735**	**2,125**	**(1,548)**	**4,746**

At the end of the reporting period, the Group has unused tax losses arising in Hong Kong of Hong Kong dollar ("**HK$**") 27,369,000 (equivalent to approximately RMB24,531,000) (2021: HK$20,979,000 (equivalent to approximately RMB17,138,000)) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to unpredictability of future profit streams. All losses may be carried forward indefinitely.

As at 31 December 2022, the Group has tax losses arising in the PRC of RMB142,227,000 (2021: RMB70,899,000) available for offset against future profits that will expire in various dates in next five years (2021: five years). No deferred tax asset has been recognised in respect of the tax losses due to unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends payable to non-PRC shareholders which is declared in respect of profits earned by 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 RMB835.6 million as at 31 December 2022 (2021: RMB782.3 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. EQUITY INSTRUMENT AT FVTOCI

	2022 RMB'000	2021 RMB'000
Unlisted equity interest (Note)	**7,348**	7,377

Note: The above unlisted equity investment represents the Group's 18% (2021: 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

	2022 RMB'000	2021 RMB'000
Deposits paid on acquisition of property, plant and equipment (Note)	**2,721**	1,294

Note: 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 unprovided amount is disclosed as capital commitments in Note 40.

24. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials (Note)	**539,737**	524,867
Finished goods	**516,537**	529,287
	1,056,274	1,054,154

Note: As at 31 December 2022, the carrying amounts of raw materials aged less than 1 year and over 1 year are RMB90,792,000 (2021: RMB524,626,000) and RMB448,945,000 (2021: RMB241,000), respectively.

During the year ended 31 December 2021, 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. There was no such write-off of inventories during the year ended 31 December 2022.

25. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables for contracts with customers	**35,199**	35,524
Less: allowance for expected credit losses	**(14,343)**	(12,018)
	20,856	23,506
Other receivables, deposits and prepayments (Note i)	**67,034**	17,187
Prepayments to suppliers (Note ii)	**3,227**	3,802
Value-added tax ("**VAT**") recoverable	**20,477**	24,540
	111,594	69,035

Notes:

(i) The balance mainly represents prepayments for technical service and purchase of goods under the Group's Fresh Food Retail segment.

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

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.

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

	2022 RMB'000	2021 RMB'000
0 – 30 days	**17,694**	18,532
31 – 60 days	**732**	1,981
61 – 90 days	**312**	1,061
Over 90 days	**2,118**	1,932
	20,856	23,506

As at 31 December 2022, included in the Group's trade receivables, net of allowance of expected credit losses, were debtors with an aggregate carrying amount of RMB10,953,000 (2021: RMB12,436,000) which were past due as at the reporting date. Out of the past due balances, RMB1,772,000 (2021: RMB1,367,000) 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 3.

26. AMOUNT DUE TO A NON-CONTROLLING INTEREST

As at 31 December 2022, the amount due to a non-controlling interest were non-trade in nature, unsecured, interest-free and repayable on demand.

27. 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 2022, pledged bank deposits amounting to RMB166,900,000 (2021: RMB40,000,000) carry a fixed interest rate of 1.5% per annum and represent deposits pledged to a bank to secure bills payables (see Note 28) of the Group. The bills payables and bank borrowings are due for repayment within one year from the end of the reporting period, and thus the pledged bank deposits are classified as current assets.

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:

	2022	2021
Range of interest rates per annum		
Restricted bank balances and bank balances	**0.001%-0.35%**	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:

	2022 **RMB'000**	2021 RMB'000
United States dollar	**20**	7
Hong Kong dollar	**642**	955
European dollar	**61**	55
	723	1,017

28. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**32,912**	32,231
Other payables and accrued expenses (Note i)	**119,515**	72,037
Bills payables (Note ii)	**206,800**	80,000
Deposits received for using the silver exchange platform	**5,291**	100,415
Amount due to Huatong International (Note iii)	**19,184**	19,278
VAT and other tax payables	**13,453**	10,540
Accrued restoration cost for environment in Jiangxi Longtianyong	**12,800**	12,626
Provision for termination of assignment contracts (Note iv)	**7,413**	8,222
	417,368	335,349

Notes:

i. Included in the other payables are payables for office leasehold improvement amounting to RMB10,084,000 (2021: RMB14,767,000), interest payables amounting to RMB248,000 (2021: RMB354,000) and amounts due to third parties amounting to RMB8,227,000 (2021: RMB8,250,000).

ii. As at 31 December 2022, bills payables amounting to RMB206,800,000 (2021: RMB40,000,000) are secured by pledged bank deposits of RMB166,900,000 (see Note 27) (2021: RMB40,000,000). The remaining bills payables amounting to nil (2021: RMB40,000,000) are secured by machinery with a carrying value of nil (see Note 17) (2021: RMB6,466,000). In addition, for the bills payables as at 31 December 2021 were secured by personal guarantees executed by Mr. Chen Wantian (a director of the Company).

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

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

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

* *The English name is for identification only.*

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

	2022 RMB'000	2021 RMB'000
0 – 30 days	**6,845**	10,242
31 – 60 days	**1,750**	–
61 – 90 days	**343**	917
Over 90 days	**23,974**	21,072
	32,912	32,231

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

29. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	3,721	3,965
Within a period of more than one year but not more than two years	1,718	2,759
Within a period of more than two years but not more than five years	–	1,619
	5,439	8,343
Less: Amounts due for settlement within 12 months shown under current liabilities	(3,721)	(3,965)
Amounts due for settlement after 12 months shown under non-current liabilities	1,718	4,378

The weighted average incremental borrowing rates applied to lease liabilities is 4.47% (2021: 4.66%) per annum for the year ended 31 December 2022.

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

	2022 RMB'000	2021 RMB'000
Hong Kong dollar	1,106	738

30. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Amounts received in advance for sales of silver ingots, palladium, lead, non-ferrous metals and jewellery products	17,012	19,531

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	
	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	19,531	53,284

Significant changes in contract liabilities

The significant decrease in contract liabilities as at 31 December 2022 was mainly due to the advance from customers as at 31 December 2021 had been recognised as revenue upon transfer of goods during the year ended 31 December 2022.

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

	2022 RMB'000	2021 RMB'000
Secured bank borrowings carrying interest at fixed rate, repayable within one year and without a repayment on demand clause	**223,382**	230,000
Secured bank borrowings carrying interest at floating rate, repayable within one year and without a repayment on demand clause	**183,000**	–
	406,382	230,000

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

	2022	2021
Effective interest rate per annum	**5.60%**	5.31%

The total banking facility granted to the Group amounted to RMB480,331,000 (2021: RMB230,000,000) of which RMB406,382,000 (2021: RMB230,000,000) were utilised.

As at 31 December 2022, bank borrowing are secured and/or guaranteed by (i) leasehold land and building with aggregate carrying amount of RMB16,025,000 and RMB61,205,000 respectively; (ii) personal guarantee and properties held by a director of the Company, Mr. Chen Wantian and his spouse; (iii) corporate guarantee and certain assets of a supplier and independent third parties; and (iv) personal guarantee from directors of subsidiaries (2021: secured and/or guaranteed by (i) leasehold land, building and machinery with aggregate carrying amount of RMB16,326,000, RMB60,949,000 and RMB6,466,000 respectively; and (ii) personal guarantees given by Mr. Chen Wantian, a director of the Company and his spouse).

Bank borrowings of RMB223,382,000 as at 31 December 2022 (2021: RMB220,000,000) carry interest at fixed rates, ranging from 3.9% to 14.4% (2021: at 5.25%) per annum and RMB183,000,000 (2021: nil) carry interest at loan prime rate plus from 0.96% to 2.80% per annum.

32. SHARE CAPITAL OF THE COMPANY

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

Note: On 23 February 2022, the Group entered into the subscription agreements with the subscribers, pursuant to which the Company allot and issue, an aggregate of 325,680,117 new shares at the subscription price of HK$0.59 per new share and the subscribers agreed to subscribe for these new shares. The Group received approximately of HK$191,151,000 (or approximately RMB155,108,000) net proceeds from the subscription. Details are set out in the announcement dated 23 February 2022.

33. DEFERRED INCOME

	2022	2021
	RMB'000	RMB'000
Government subsidies (Note)	**13,904**	16,084
Analysed for reporting purposes as:		
Current	**2,182**	2,182
Non-current	**11,722**	13,902
	13,904	16,084

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 in prior year 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 2022, an amount of RMB1,468,000 (2021: RMB1,468,000) 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 2022, an amount of RMB715,000 (2021: 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 (2021: 70,950,000), representing 3.63% (2021: 4.36%) of the shares of the Company in issue at 31 December 2022.

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 as at 1 January 2022	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2022
3 July 2013	**0.96**	**2,450,000**	–	–	**2,450,000**
20 August 2014	**2.20**	**23,700,000**	–	–	**23,700,000**
2 January 2015	**1.80**	**44,800,000**	–	–	**44,800,000**
		70,950,000	–	–	**70,950,000**
Exercisable at the 1 January 2022		**70,950,000**			
Exercisable at the 31 December 2022					**70,950,000**
Weighted average exercise price		**HK$1.90**	–	–	**HK$1.90**

Date of grant	Exercise price per share HK$	Outstanding at 1 January 2021	Exercised during the year	Lapsed during the year	Outstanding at 31 December 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

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 2022 and 2021.

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 as at 1 January 2022	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2022
Directors	5,150,000	–	–	5,150,000
Employees	60,800,000	–	–	60,800,000
Consultant	5,000,000	–	–	5,000,000
	70,950,000	–	–	70,950,000
Exercisable at the 1 January 2022	70,950,000			
Exercisable at the 31 December 2022				70,950,000

34. SHARE OPTION SCHEME (Continued)

(I) The Scheme (Continued)

(b) (Continued)

Eligible participants	Outstanding at 1 January 2021	Exercised during the year	Lapsed during the year	Outstanding at 31 December 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

(c) During the years ended 31 December 2022 and 2021, 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 (2021: 81,000,000), representing 4.15% (2021: 4.97%) of the shares of the Company in issue at 31 December 2022.

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 January 2022	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2022
27 August 2015	1.97	81,000,000	–	–	81,000,000
Exercisable at 1 January 2022		81,000,000			
Exercisable at 31 December 2022					81,000,000
Weighted average exercise price		HK$1.97			HK$1.97

Date of grant	Exercise price per share HK$	Outstanding at 1 January 2021	Exercised during the year	Lapsed during the year	Outstanding at 31 December 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

No share option under the New Scheme was exercised during the year ended 31 December 2022 and 2021.

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 2022 and 2021 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 RMB6,329,000 (2021: RMB8,084,000) 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 2022, Jiangxi Longtianyong, a wholly-owned subsidiary of the Group obtained a bank borrowing of RMB326,000,000 (2021: a bank borrowing of RMB210,000,000) and bills payables of nil (2021: RMB80,000,000) 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:

	2022 **RMB'000**	2021 RMB'000
Short-term benefits	**4,946**	5,140
Post-employment benefits	**69**	68
	5,015	5,208

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 and bank borrowings.

	2022 **RMB'000**	2021 RMB'000
Property, plant and equipment	**61,205**	67,415
Leasehold land (included in right-of-use assets)	**16,025**	16,326
Pledged bank deposits	**166,900**	40,000
	244,130	123,741

38. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost	**789,385**	489,297
Equity instrument at FVTOCI	**7,348**	7,377
Financial liabilities		
Amortised cost	**694,263**	470,175
Lease liabilities	**5,439**	8,343

39. ACQUISITION OF A SUBSIDIARY

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

Jiangsu Nongmuren is a company incorporated in the PRC limited by shares. Jiangsu Nongmuren is the developer and operator of the "農牧人" ("**Nongmuren**") supply chain sales platforms, which conducts integrated online-and-offline sales of fresh food in the PRC, and provides related electronic platforms and branding and SaaS services along the agricultural supply chain in the PRC. This transaction was completed on 10 January 2022 and Jiangsu Nongmuren became a non-wholly owned subsidiary of the Group. This acquisition enables the Group to expand its market share in the fresh food industry.

* *The English name is for identification only*

Consideration through capital injection

	RMB'000
Cash consideration paid	9,000
Cash consideration payable	17,000
	26,000

39. ACQUISITION OF A SUBSIDIARY (Continued)

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	158
Intangible assets	6,970
Trade and other receivables	119,787
Inventories	165
Bank balances and cash	1,398
Trade and other payables	(96,422)
Bank borrowings	(3,795)
Deferred tax liabilities	(1,743)
	26,518

Goodwill on acquisition

	RMB'000
Consideration to be satisfied	26,000
Add: non-controlling interests	12,994
Less: net assets acquired	(26,518)
	12,476

Net cash inflow arising on acquisition

	RMB'000
Bank balances and cash acquired	1,398

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

Acquisition-related costs of RMB240,000 have been charged to administrative expenses in the consolidated statement of profit or loss and other comprehensive income and in the operating cash flows in the consolidated statement of cash flows for the year ended 31 December 2022.

The goodwill is attributable to the workforce and industry experience of the acquired business. It will not be deductible for tax purposes.

The revenue included in the consolidated statement of profit or loss and other comprehensive income for the period from 1 January 2022 to 31 December 2022 contributed by Jiangsu Nongmuren was RMB1,509,807,000. Jiangsu Nongmuren contributed loss of RMB18,111,000 over the same period.

Had Jiangsu Nongmuren been consolidated from 10 January 2022, the financial impact to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 would be immaterial.

40. CAPITAL COMMITMENTS

	2022 RMB'000	2021 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– Property, plant and equipment	**359**	9,099

41. MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions:

During the year ended 31 December 2022, 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 of RMB1,327,000 (2021: RMB9,707,000) of right-of-use assets and RMB1,327,000 (2021: RMB9,707,000) 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.

42. 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	Amounts due to a non-controlling interest RMB'000	Total RMB'000
At 1 January 2021	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 41)	9,707	–	–	–	–	–	–	9,707
Early termination of leases	(4,940)	–	–	–	–	–	–	(4,940)
As at 31 December 2021	8,343	230,000	363	19,278	8,250	–	–	266,234
As at 31 December 2021	**8,343**	**230,000**	**363**	**19,278**	**8,250**	**–**	**–**	**266,234**
Financing cash flows	**(4,536)**	**172,587**	**(22,391)**	**(94)**	**(23)**	**–**	**15,467**	**161,010**
Addition upon acquisition of a subsidiary (Note 39)	**–**	**3,795**	**–**	**–**	**–**	**–**	**–**	**3,795**
Finance cost recognised	**305**	**–**	**22,276**	**–**	**–**	**–**	**–**	**22,581**
New leases entered (Note 41)	**1,327**	**–**	**–**	**–**	**–**	**–**	**–**	**1,327**
As at 31 December 2022	**5,439**	**406,382**	**248**	**19,184**	**8,227**	**–**	**15,467**	**454,947**

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

43. SUBSIDIARIES

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 2022	2021	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

43. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ Registered capital	Attributable equity interest held by the Company		Principal activities/ place of operations	Form of Company
			2022	2021		
Bit Silicon Valley Blockchain Technology Limited 比特矽谷區塊鏈技術有限公司^##	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Inactive/Hong Kong	Limited liability
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
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
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/ The PRC	Limited liability

43. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ Registered capital	Attributable equity interest held by the Company		Principal activities/ place of operations	Form of Company
			2022	2021		
Shenzhen Guoyintongbao Limited^	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
Yongtong County Tongsheng Small Loan Co. Ltd.	The PRC	Registered capital RMB50,000,000	**40%**	40%	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 serviceɑ／The PRC	Limited liability
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

43. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ Registered capital	Attributable equity interest held by the Company		Principal activities/ place of operations	Form of Company
			2022	2021		
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
上海鷗亙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
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

43. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ Registered capital	Attributable equity interest held by the Company		Principal activities/ place of operations	Form of Company
			2022	2021		
深圳鮮生掌櫃科技有限公司##	The PRC	Registered capital RMB1,000,000#	20.6% (Note vi)	–	Investment holding/ The PRC	Limited liability
江蘇農牧人電子商務股份有限公司 Jiangsu Nongmuren Electronic Business Corp. (for identification purpose) ### ^	The PRC	Registered capital RMB25,510,000#	N/A** (Note vi)	–	Sales of fresh food product/The PRC	Limited liability

* English translated names are for identification only
\# At 31 December 2022 and 2021, capital injection to the entity had not been fully paid
^ Subsidiaries of CSMall Cayman
α Not yet commence business
** Structured entities
*** The subsidiary of Shanghai Huatong
\## Incorporated during the year ended 31 December 2022
\### Acquired during the year ended 31 December 2022

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		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
CSMall Cayman and its subsidiaries	The Cayman Islands	59.61%	59.61%	(23,930)	43	821,869	832,805
Individual immaterial subsidiaries with non-controlling interests				(140)	(509)	(724)	(584)
				(24,070)	(466)	821,145	832,221

43. SUBSIDIARIES (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 31.12.2022 RMB'000	CSMall Cayman As at/For the year ended 31.12.2021 RMB'000
Current assets	**1,591,892**	1,480,243
Non-current assets	**40,231**	30,326
Current liabilities	**252,946**	108,239
Non-current liabilities	**3,365**	5,241
Equity attributable to owners of the Company	**553,943**	564,284
Non-controlling interest of the Company	**821,869**	832,805
Revenue	**1,790,311**	364,187
(Loss) profit for the year	**(34,271)**	71
(Loss) profit for the year attributable to owners of the Company	**(10,340)**	28
(Loss) profit for the year attributable to the non-controlling interest	**(23,930)**	43
Net cash inflow (outflow) from operating activities	**74,351**	(319,563)
Net cash inflow (outflow) from investing activities	**1,673**	(5,174)
Net cash inflow (outflow) from financing activities	**86,541**	(15,442)
Net cash inflow (outflow)	**162,565**	(340,179)

(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**").

43. SUBSIDIARIES (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.

43. SUBSIDIARIES (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.

43. SUBSIDIARIES (Continued)

Notes: (Continued)

(vi) **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 2022, the Group decided to engage in the provision of electronic platforms and branding and SaaS services in the PRC which was categorised under the Restricted Business. Therefore, Jiangsu Nongmuren was acquired and under the legal ownership of two independent third parties. Therefore, a series of agreements (the "2021 Contractual Arrangements") were entered into between the Group and the legal owners on 31 December 2021.

Jiangsu Nongmuren is referred to as the "Structured Entity".

The 2021 Contractual Arrangements both comprised of (a) exclusive option agreement, (b) exclusive consultancy and services agreement, (c) shareholder voting right entrustment agreements, and (d) equity pledge agreement. Key provisions of the 2021 Contractual Arrangements are as follows:

Exclusive option Agreement

The Group, the Structured Entity and the legal owners entered into an exclusive option agreement (the "Exclusive 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 2021 Contractual Arrangements, the Exclusive Option Agreement contains an undertaking from Jiangsu Nongmuren's legal owners to return to the Company any consideration they received when the Company acquires the equity interest of Jiangsu Nongmuren upon unwinding the 2021 Contractual Arrangements.

The Exclusive 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 Exclusive Option Agreement and the laws of the PRC.

Exclusive Consultancy and Services Agreement

The Group and the Structured Entity entered into an exclusive consultancy and services agreement ("Exclusive 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 Exclusive 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.

Shareholder voting right entrustment agreements

The Group, the Structured Entity and the legal owners entered into a shareholder voting right entrustment agreements (the "Shareholder Voting Right Entrustment Agreements") whereby the legal owners have irrevocably agree that the Group shall be authorise any person designated by the Group to exercise their rights and powers as shareholders of the Structured Entity.

The Shareholder Voting Right Entrustment Agreements will be terminated when all the equity interests 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 Shareholder Voting Right Entrustment Agreements and the laws of the PRC.

43. SUBSIDIARIES (Continued)

Notes: (Continued)

(vi) **Consolidated structured entity** (Continued)

Equity 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 Exclusive Option Agreement, the Exclusive Consultancy and Services Agreement, the Equity Pledge Agreement, and the Shareholder Voting Right Entrustment Agreements 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 2021 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 2021 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.

Jiangsu Nongmuren is principally engaged in conducts integrated online-and-offline sales of fresh food in the PRC, and provides related electronic platforms and branding and SaaS services along the agricultural supply chain in the PRC.

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2022 RMB'000	2021 RMB'000
Non-current asset			
Investments in subsidiaries		**792,133**	792,133
Current asset			
Cash and cash equivalents		**482**	430
		482	430
Current liabilities			
Other payables and accruals		**16,717**	10,984
Amounts due to subsidiaries		**83,025**	235,637
		99,742	246,621
Net current liabilities		**(99,260)**	(246,191)
Total assets less current liabilities		**692,873**	545,942
EQUITY			
Share capital	32	**15,935**	13,284
Share premium and reserves	(i)	**676,938**	532,658
Total equity		**692,873**	545,942

Note:

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

	Share premium RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	1,101,638	91,250	(237,753)	955,135
Loss and total comprehensive expense for the year	–	–	(422,477)	(422,477)
Lapse of share options (Note 34)	–	(884)	884	–
At 31 December 2021 and 1 January 2022	1,101,638	90,366	(659,346)	532,658
Loss and total comprehensive expense for the year	**–**	**–**	**(9,516)**	**(9,516)**
Issue of new shares	**153,796**	**–**	**–**	**153,796**
At 31 December 2022	**1,255,434**	**90,366**	**(668,862)**	**676,938**

FIVE YEARS' FINANCIAL SUMMARY

RESULTS

	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Revenue	3,751,216	3,927,097	4,759,330	2,303,523	**3,246,344**
(Loss) profit before tax	298,253	(55,779)	253,203	(2,413,397)	**(152,971)**
Income tax credit (expense)	(77,912)	(61,322)	(47,420)	6	**8,135**
(Loss) profit for the year	220,341	(117,101)	205,783	(2,413,391)	**(144,836)**
Attributable to					
– Owners of the Company	148,950	(116,195)	227,502	(2,412,925)	**(120,766)**
– Non-controlling interests	71,391	(906)	(21,719)	(466)	**(24,070)**
	220,341	(117,101)	205,783	(2,413,391)	**(144,836)**

ASSETS AND LIABILITIES

	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Total assets	4,013,267	3,979,665	4,515,808	1,861,477	**2,143,169**
Total liabilities	(664,976)	(538,010)	(869,080)	(628,170)	**(885,286)**
Total equity	3,348,291	3,441,655	3,646,728	1,233,307	**1,257,883**
Equity attributable to owners of the Company	2,697,716	2,587,249	2,814,041	401,086	**436,738**
Non-controlling interests	650,575	854,406	832,687	832,221	**821,145**
	3,348,291	3,441,655	3,646,728	1,233,307	**1,257,883**