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CSMall Group Limited
金貓銀貓集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1815)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

HIGHLIGHTS OF 2023 INTERIM RESULTS

The Group's revenue for 1H2023 was approximately RMB220.0 million (1H2022: RMB838.3 million), representing a significant decrease of approximately 73.8% as compared to that for 1H2022.

Loss attributable to owners of the Company for 1H2023 was approximately RMB15.0 million (1H2022: RMB10.3 million). Such year-on-year increase was mainly attributable to the following factors:

(i) in respect of the Group's New Jewellery Retail segment, the sales volume for 1H2023 remained low due to continuously weak consumer sentiment caused by slower-than-expected domestic economic recovery, while fixed costs less dependent on sales volume such as administrative expenses were still incurred, resulting in a net loss for the segment for 1H2023; and

(ii) in respect of the Group's Fresh Food Retail segment, the "Nongmuren" S2B2C platform was still in a consolidation stage with a focus on optimizing its network of collaborative stores, diversifying its product offerings and adjusting its business strategies. Besides, hog prices in Mainland China have shown a downward trend since the fourth quarter of 2022, which reduced the Shopkeepers' appetite for trade and thus amount of hog purchased during 1H2023. For these reasons, the sales volume for 1H2023 was significantly lower than that for 1H2022, while the cost of sales and other related costs and expenses were also significantly reduced accordingly. Overall, given its status of development, the segment had not started to generate a net profit during 1H2023.

The board of directors (individually, a "**Director**", or collectively, the "**Board**" or the "**Directors**") of CSMall Group Limited (the "**Company**" or "**CSMall**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**" or "**we**") for the six months ended 30 June 2023 ("**1H2023**", "**the period**", "**current period**", "**current interim period**" or "**reporting period**") together with the comparative figures for the corresponding period in 2022 ("**1H2022**"). The results for the current interim period have been reviewed by the audit committee of the Company (the "**Audit Committee**") with no disagreement.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
	Notes	**2023**	2022
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**219,973**	838,314
Cost of sales and services provided		**(206,768)**	(813,320)
Gross profit		**13,205**	24,994
Other income, net		**3,411**	693
Other gains and losses, net		**(1,926)**	(1,281)
Selling and distribution expenses		**(16,091)**	(21,410)
Administrative expenses		**(14,480)**	(18,157)
Research and development expenses		**(139)**	(144)
Provision for impairment loss under expected credit loss model, net	*10*	**(1,424)**	(264)
Finance costs		**(3,461)**	(1,070)
Loss before income tax		**(20,905)**	(16,639)
Income tax credit (expense)	*5*	**542**	(7)
Loss and total comprehensive expense for the period	*6*	**(20,363)**	(16,646)
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		**(15,048)**	(10,341)
Non-controlling interest		**(5,315)**	(6,305)
		(20,363)	(16,646)
Loss per share	*8*	***RMB***	*RMB*
Basic		**(0.02)**	(0.01)
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	**30 June 2023** ***RMB'000*** **(unaudited)**	31 December 2022 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**11,589**	12,683
Goodwill		**12,476**	12,476
Right-of-use assets		**6,667**	5,027
Intangible assets		**5,808**	6,196
Deferred tax assets		**3,532**	3,087
Refundable rental deposits		**764**	762
		40,836	40,231
CURRENT ASSETS			
Inventories		**1,035,386**	993,691
Trade and other receivables	*9*	**118,013**	108,667
Amount due from immediate holding company		**14,454**	13,372
Amount due from a fellow subsidiary		**376**	–
Income tax recoverable		**784**	948
Bank balances and cash		**490,299**	475,214
		1,659,312	1,591,892
CURRENT LIABILITIES			
Trade and other payables	*11*	**196,405**	126,199
Amounts due to fellow subsidiaries		**1,838**	3,341
Amounts due to related companies		**8,940**	8,964
Amount due to a non-controlling interest		**20,762**	15,468
Lease liabilities – current portion		**5,867**	3,958
Contract liabilities		**4,781**	5,317
Income tax payable		**3,499**	5,637
Bank borrowings	*12*	**99,000**	84,062
		341,092	252,946
NET CURRENT ASSETS		**1,318,220**	1,338,946
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,359,056**	1,379,177

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
CAPITAL AND RESERVES		
Share capital	**842**	842
Share premium and reserves	**1,355,596**	1,370,644
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	**1,356,438**	1,371,486
Non-controlling interest	**(989)**	4,326
TOTAL EQUITY	**1,355,449**	1,375,812
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**1,452**	1,549
Lease liabilities – non-current portion	**2,155**	1,816
	3,607	3,365
TOTAL EQUITY AND NON-CURRENT LIABILITIES	**1,359,056**	1,379,177

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting" issued by International Accounting Standards Board ("**IASB**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 and Amendments to IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

(i) designing and sales of gold, silver, colored gemstones and gem-set and other jewellery products in the People's Republic of China (the "**PRC**") ("**New Jewellery Retail segment**"); and

(ii) integrated online-and-offline sales of fresh food in the PRC, and providing related electronic platforms and branding and SaaS (software as a service) 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:

	Six months ended 30 June 2023		
	New Jewellery Retail segment	**Fresh Food Retail segment**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***
	(unaudited)	**(unaudited)**	**(unaudited)**
Revenue			
External sales	**141,867**	**78,106**	**219,973**
Total segment revenue	**141,867**	**78,106**	**219,973**
Results			
Segment results	**(7,723)**	**(11,256)**	**(18,979)**
Non-segment items			
Unallocated income, expenses, gains and losses			**(1,926)**
Loss before income tax			**(20,905)**

	New Jewellery Retail segment	Fresh Food Retail segment	Consolidated
	Six months ended 30 June 2022		
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
Revenue			
External sales	160,977	677,337	838,314
Total segment revenue	160,977	677,337	838,314
Results			
Segment results	(3,058)	(12,868)	(15,926)
Non-segment items			
Unallocated income, expenses, gains and losses			(713)
Loss before income tax			(16,639)

(b) Geographical information

The Group's operations are located in the PRC. All of the Group's revenue during the six months ended 30 June 2023 and 2022 are generated in the PRC.

4. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Segments	**(unaudited)**	(unaudited)
By products		
New Jewellery Retail segment		
– Sales of gold products	**96,029**	103,407
– Sales of silver products	**44,322**	55,722
– Sales of colored gemstones	**1,369**	1,307
– Sales of gem-set and other jewellery products	**147**	541
	141,867	160,977
Fresh Food Retail segment		
– Sales of fresh food products	**78,106**	677,337
Total	**219,973**	838,314

All of the revenue was recognised at a point in time during the six months ended 30 June 2023 and 2022.

5. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("**EIT**")		
– Overprovision in respect of prior periods	**–**	(974)
Deferred tax	**(542)**	981
	(542)	7

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

Under the Law of the PRC on EIT (the "**EIT Law**") and its related implementation regulations, the Group's PRC subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both periods.

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging (crediting):		
Cost of inventories and services recognised as expenses (included in cost of sales and services provided)	**206,768**	813,320
Depreciation of property, plant and equipment	**2,189**	2,438
Depreciation of right-of-use assets	**2,444**	2,061
Amortisation of intangible assets	**388**	–
Bank interest income	**(790)**	(500)
Net exchange loss	**2,048**	713
Loss on disposal of property, plant and equipment	**–**	568
Expenses on short-team leases in respect of office premises and retail shops	**62**	28

7. DIVIDENDS

No dividends were paid, declared or proposed for the ordinary shareholders of the Company during the current interim period (six months ended 30 June 2022: nil). The directors of the Company have determined that no dividend will be paid in respect of both interim periods.

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share *(RMB'000)*	**(15,048)**	(10,341)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share *(in thousand)*	**1,237,875**	1,237,875

No diluted loss per share for the six months ended 30 June 2023 and 2022 is presented as there were no potential dilutive shares in issue for both periods.

9. TRADE AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables for contracts with customers	**34,577**	34,906
Less: allowance for expected credit losses	**(15,515)**	(14,091)
	19,062	20,815
Other receivable, deposits and prepayments *(Note i)*	**68,485**	62,577
Prepayments to suppliers *(Note ii)*	**10,822**	7,208
Value-added tax ("**VAT**") recoverable	**19,644**	18,067
	118,013	108,667

Notes:

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

(ii) Included in the balance are prepayments to a fellow subsidiary with a carrying amount of RMB7,128,000 (31 December 2022: RMB3,976,000).

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

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 30 days	**9,707**	17,776
31 – 60 days	**2,089**	708
61 – 90 days	**661**	306
Over 90 days	**6,605**	2,025
	19,062	20,815

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Details of impairment assessment of trade receivables for the six months ended 30 June 2023 and 2022 are set out in note 10.

10. PROVISION FOR IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Provision for impairment loss recognised in respect of trade receivables, net	**1,424**	264

The basis of determining the inputs and assumptions and the estimation techniques used in these condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022.

11. TRADE AND OTHER PAYABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**46,278**	32,760
Other payables and accrued expenses *(Note i)*	**132,805**	76,605
VAT and other tax payables	**9,909**	9,421
Provision for termination of assignment contracts *(Note ii)*	**7,413**	7,413
	196,405	126,199

Notes:

i) Included in the other payables are payables for office leasehold improvement amounted to RMB2,584,000 (31 December 2022: RMB10,084,000).

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

On 29 and 30 June 2020, Huzhou Baiyin entered into a termination agreement (the "**Termination Agreement**") with the Committee and the Bureau, and a compensation agreement with the Committee, pursuant to which the Committee and the Bureau agreed to terminate the Contract and the Committee agreed to refund the deposits received amounting to RMB270,875,000 (the "**Compensation Sum**") and compensate for (i) the capital expenditure and other expenses incurred by the Group in connection with the exploration, design and pre-construction works on the land; and (ii) certain taxes paid by another indirect wholly-owned subsidiary of the Group. As 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 30 June 2023, 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 2022: RMB7,413,000).

* *The English name is for identification only.*

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 30 days	**14,968**	6,843
31 – 60 days	**5,073**	1,740
61 – 90 days	**569**	343
Over 90 days	**25,668**	23,834
	46,278	32,760

The credit period of purchase of goods and subcontracting costs on processing silver products is generally not more than 90 days.

12. BANK BORROWINGS

The total banking facility granted to the Group amounted to RMB102,500,000 (31 December 2022: RMB98,010,000) of which RMB99,000,000 (31 December 2022: RMB84,062,000) were utilised as at 30 June 2023.

As at 30 June 2023, the amounts are secured and/or guaranteed by (i) personal guarantee from a director of China Silver Group, Mr. Chen Wantian and his spouse; (ii) personal guarantee from a director of the Company, Mr. Qian Pengcheng; (iii) corporate guarantee and certain assets of a supplier and independent third parties; (iv) personal guarantee from directors of the subsidiary, Jiangsu Nongmuren Electronic Business Corp.*（江蘇農牧人電子商務股份有限公司）("**Jiangsu Nongmuren**"); (v) corporate guarantee from a fellow subsidiary; and (vi) personal guarantee from independent third parties (31 December 2022: (i) personal guarantee from a director of China Silver Group, Mr. Chen Wantian and his spouse; (ii) personal guarantee from a director of the Company, Mr. Qian Pengcheng; (iii) corporate guarantee and certain assets of a supplier and independent third parties; (iv) personal guarantee from directors of the subsidiary, Jiangsu Nongmuren; and (v) corporate guarantee from a fellow subsidiary.).

Bank borrowings of RMB10,000,000 as at 30 June 2023 (31 December 2022: RMB10,062,000) carry interest at fixed rates of 3.9% (31 December 2022: 3.9% to 14.4%) per annum and RMB89,000,000 (31 December 2022: RMB74,000,000) carry interest at loan prime rate plus 1.85% to 3.65% (31 December 2022: 2.24%) per annum.

* *The English name is for identification only.*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for 1H2023 was approximately RMB220.0 million (1H2022: RMB838.3 million), representing a significant decrease of approximately RMB618.3 million or 73.8% as compared to that for 1H2022. The net loss attributable to owners of the Company for 1H2023 increased to approximately RMB15.0 million (1H2022: RMB10.3 million). In 1H2023, although the economy and society has fully resumed normal operation with the implementation of effective macroeconomic policies and positive signs of national economic recovery, the foundation for economic recovery was still not solid, and the economy has not yet returned to the state before the epidemic. Residents' disposable income was unsatisfactory, which dampened residents' consumption mentality. In view of the context, the Group has been exploring and considering suitable business opportunities inside and outside the jewellery industry from time to time in recent years to diversify its business risks. On the one hand, it diversified its own business by entering the fresh food industry of essential consumer goods. On the other hand, it has also been looking for new business growth drivers for its jewellery retail business.

New Jewellery Retail Segment

In the first half of the year, the Group's brand SISI started to transform from fashionable silver jewellery to the new business of lab-grown diamonds. In the first half of the year, funds and efforts were focused on brand planning, brand marketing, product design, team structure adjustment and expansion, regional agency nationwide and other preliminary works of this project, making vigorous investment and development. After intensive preparations, the project has gradually entered the market.

In the first half of the year, the Group primarily promoted the market in Shenzhen and expanded its presence across various industries. In contrast to traditional jewellery sales channels, we plan to promote this to-be-popularized brand through online new media platforms, and recruit offline city agents, so that pet stores, confinement centers, beauty salons and their private domain traffic will become the promoters and sellers of SISI. With part of the high gross profit margin of lab-grown diamonds to be shared with channel dealers, the sales channels will be quickly expanded. Moreover, given its customized nature, this product will not require a large amount of inventory to be stockpiled, and the cost advantage will become the highlight of this new business.

While placing focus on the development of the new business of 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 value preservation and value appreciation attributes 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. After the sharp rise of gold price at the end of the first quarter of the year, it then remained at a high level, which may have caused some consumers to keep a wait-and-see attitude, thereby delaying consumer demand in the first half of the year, and impacting the sales of gold jewellery.

In recent years, the Group continued to improve online sales operations by expanding online sales channels and through new marketing models including short video marketing, e-commerce live streaming and online celebrity (KOL) promotion in reliance on the strong traffic of third-party platforms. In the first half of the year, efforts were made to further enhance e-commerce and live streaming sales of existing product categories and actively expand the SISI new business. At present, we have cooperated with certain mommy bloggers, pet bloggers, and celebrities including MARiA (美依禮芽), Yang Zi (楊紫), Dong Jie (董潔), Teens in Times (時代少年團), etc., who joined the fourth season of the popular television show "Sisters Who Make Waves" (乘風破浪的姐姐), for promotional campaigns to enhance brand value. Meanwhile, SISI also established a presence on e-commerce platforms such as Taobao (淘寶) and mall applets (mini-programs) for operation through multiple channels, so as to continuously enhance its brand influence.

New Retail Business

In 2023, the Group introduced a new business of lab-grown diamonds. With the brand concept of "planting diamonds for love", the SISI brand advocates using the tangible essence of objects to capture beautiful moments and redefining diamonds with technology. SISI uses innovative diamond cultivation technologies to cultivate soft hair into hard diamonds, thus giving each diamond love and life and planting warm jewellery-grade DNA diamonds for love. The concept is applied in various life scenes, e.g. "Love Diamond", "Lanugo Diamond", "Family Diamond", "Pet Diamond", "Friendship Diamond", "Self-Pleasing Diamond", etc. to connect the emotions of new life, encounter, companionship and commemoration. While meeting the emotional needs of users, the Group also serves users with technology: the principle of "one source for one diamond" is always followed for lab-grown diamonds in all steps from receipt of hair from customers to weighing, cleaning, carbon source extraction, warehousing for cultivation, cutting and polishing, etc.

Online Sales Channels

Third-party online sales channels

In 1H2023, the Group intensified its new social media-based operating model through WeChat (微信) official account, Tik Tok (抖音), Xiaohongshu (小紅書), video channel, Weibo (微博), etc., to achieve strong exposure for the SISI brand through content integration. In 1H2023, our third-party online platforms included JD.com (京東), Suning (蘇寧), Tmall (天貓), WeChat (微信), Tik Tok (抖音) and Xiaohongshu (小紅書) and 13 television and video shopping channels in the PRC to promote and sell our jewellery products. We also 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 a vast population of Chinese viewers of television and video shopping channels was enhanced substantially.

Short-video promotion and KOL promotion have become standard practices in our brand marketing, and their content has also become the core element of every aspect of our brand marketing, sales and operation.

Offline Retail and Service Network

(1) CSmall Shops

During the six months ended 30 June 2023, due to the development of the new business, the Group ceased to expand existing stores and adjusted the layout of offline business outlets by closing 4 stores. As of 30 June 2023, we had 16 franchised CSmall Shops located in 8 provinces and municipalities in the PRC, with presence in Beijing, Gansu, Heilongjiang, Henan, Sichuan, Tibet, Xinjiang and Zhejiang.

(2) Shenzhen Exhibition Hall

We sell products at the Shenzhen Exhibition Hall in Shuibei, Shenzhen, which is generally seen as 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.

Fresh Food Retail Segment

On 31 December 2021, the Group entered into an investment agreement for investment and control 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” S2B2C 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 the agricultural sector. This business brought encouraging revenue to the Group in 1H2022. However, the decline in sales in 1H2023 as compared to that in 1H2022 was mainly due to: (i) hog prices in Mainland China showed an upward trend in the second and third quarters of 2022 but a downward trend since the fourth quarter of 2022, which reduced the Shopkeepers’ appetite for trade and thus amount of hog purchased during 1H2023, resulting in a decline in the sales of Nongmuren; and (ii) in view of the declining market conditions of pork consumption, the strategic focus in 1H2023 shifted from expansion of stores to deepened development of stores. In particular, the focus was placed on strengthening the establishment of the upstream industrial chain system of the supply chain, to mainly improve the control of the upstream price index and quality system and establish the traceability of the whole industrial chain from upstream to downstream, laying a good foundation for Nongmuren Shopkeeper to provide more stable supply chain capabilities with price advantages in the second half of the year. Therefore, the number of stores also decreased.

In the first half of the year, the meat market generally showed a downward trend in pork consumption, while consumption of beef, mutton and other meat products increased. Based on the foundation of the sheep and cattle industry chains established in 2022, the focus was placed on establishing “Beef Shopkeeper（牛掌櫃）”, “Lamb Shopkeeper（羊掌櫃）”, “Noodle Shopkeeper（麵掌櫃）” and other new shopkeepers of difference forms this year. The Company will allocate resources from product development, team and funds towards these new business lines. In order to reduce costs and improve efficiency, the Group also carried out hierarchical management and supply of existing stores, adjusted market strategies, and reduced corresponding marketing expenses, thereby reducing losses, and invested funds towards building supply chain capacity and development of new business lines.

PROSPECTS

Looking ahead, the overall domestic economy will gradually demonstrate a recovery trend, and the retail industry is anticipated to remain promising to experience stable growth. Following 1H2023, the overall development prospect of the industry is optimistic. The potential of gold jewellery consumption has not been fully released, leaving room for further growth. However, in terms of quantity, further observation of factors such as future economic, social and market environments is necessary. In the coming year, we will also face various new challenges, but benefiting from the full liberalization of consumption scenarios and the Group's development and cultivation of new businesses in the first half of the year, we will continue to strengthen our new businesses in the second half of the year. For the New Jewellery Retail segment, 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, the Group will continue to deepen its presence in various industries, such as the beauty industry, pet industry, maternal and child industry and e-commerce industry, and will focus on the in-depth construction of a marketing system driven by accurate consumer insights to constantly expand the market size, with the plan of building SISI into the "No. 1 brand of DNA-grown diamonds". Meanwhile, the Group will strengthen product competitiveness and exert continuous efforts in product research and development and innovation, so as to launch more distinctive diamond products to meet the needs of different consumer groups and different application scenarios. According to Bain & Company's "2020-21 Global Diamond Industry Report" and Chinairr Consulting's*（智研諮詢）"Research Report on the Development Trends and Investment Directions of China's Lab-grown Diamond Industry from 2023 to 2029", the total production volume of lab-grown diamonds worldwide has continued to increase from approximately 6 to 7 million carats in 2020, and is estimated to reach 25 million carats by 2025.

The improvement of the standardization and appraisal system of the lab-grown diamond industry is continuously empowering the lab-grown diamond industry chain, providing more professional endorsements for lab-grown diamonds, helping major brands to deploy lab-grown diamond series jewellery, and commencing the golden period for the development of lab-grown diamond. After 2020, the number of lab-grown diamond brands in the PRC gradually increased, and leading jewellery brands began to proactively deploy the lab-grown diamond market. Different from the stereotyped marketing and sales methods of lab-grown diamonds currently on the market, SISI of the Group insists on one source for one diamond and focuses on "planting warm jewellery-grade DNA diamonds for love" with the brand concept of "planting diamonds for love". In particular, the "Pet Diamond" market is already huge, but there are only a handful of brands that can grow pet hair into diamonds. We are targeting at the pet market of Mainland China with a size of hundreds of billion of Renminbi. The number of pet owners in Mainland China is estimated to reach over 60 million, and the annual per capita total consumption of pet owners is nearly RMB7,000. As of 31 December 2022, the number of pet stores in Mainland China is estimated to be more than 80,000.

A continued focus on digital marketing is one of the keys for the Group to promote sustainable growth. The Group's jewellery retail business and fresh food S2B2C business are both new empowerments for traditional industries through digital marketing. For the fresh food S2B2C business, 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: 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 the year, the sluggish pork consumption and the Company's proactive strategic adjustments have a greater impact on the performance of the first half of the year, but the decline in performance is part of the Company's established strategic adjustments in response to market changes. It is expected that the optimization and improvement of the supply side will provide favorable guarantee for the performance sprint in the second half of the year. In view of the rapid performance growth period of the Double Eleven (11 November) and Double Twelve (12 December) and the rapid upward trend of consumer demand in beef, mutton and other markets last year, it is expected that the performance for the year will improve significantly in the second half of the year. Furthermore, in the future, Japan's ongoing plan to discharge nuclear wastewater into the sea may lead to changes in consumer dietary habits. Consumers may seek alternative protein sources that provide greater safety assurance. It is believed that this situation will benefit the sales of pork, lamb and beef.

The Group also explores and considers suitable business opportunities inside and outside of the jewellery industry from time to time to diversify its business risks. The Group is confident that it will continue to bring good returns to shareholders in the future.

FINANCIAL REVIEW

Revenue

The revenue of the Group for 1H2023 was approximately RMB220.0 million (1H2022: RMB838.3 million), representing a significant decrease of approximately 73.8% from that for 1H2022.

	1H2023		1H2022	
	Revenue *RMB'000* **(unaudited)**	**% of revenue (unaudited)**	Revenue *RMB'000* (unaudited)	% of revenue (unaudited)
New Jewellery Retail Segment				
Online Sales Channels	**117,622**	**53.5%**	137,105	16.4%
Offline Retail and Service Network				
– CSmall Shops	**844**	**0.4%**	532	0.1%
– Shenzhen Exhibition Hall	**23,401**	**10.6%**	23,340	2.8%
	24,245	**11.0%**	23,872	2.9%
Fresh Food Retail Segment	**78,106**	**35.5%**	677,337	80.7%
Total	**219,973**	**100%**	838,314	100.0%

New Jewellery Retail Segment

Online Sales Channels

For 1H2023, the online sales channels recorded sales of approximately RMB117.6 million (1H2022: RMB137.1 million), representing a decrease of approximately 14.2% as compared to that for 1H2022. The COVID-19 pandemic has significantly accelerated the growth and widespread adoption of online sales channels, particularly through short video marketing, e-commerce live streaming, and KOL promotion. However, following the end of the pandemic, the sector's growth has experienced a deceleration. This deceleration can be attributed to a combination of factors including slower-than-expected domestic economic recovery, continuously weak consumer sentiment and decreased purchasing power. Consequently, these factors have collectively contributed to a decline in sales from online sales channels.

Offline Retail and Service Network

For 1H2023, the offline retail and service network recorded sales of approximately RMB24.2 million (1H2022: RMB23.9 million), representing a slight increase of approximately 1.26% as compared to that for 1H2022.

Fresh Food Retail Segment

During 1H2023, the Fresh Food Retail segment recorded sales of approximately RMB78.1 million (1H2022: RMB677.3 million). The significant decrease was mainly because the "Nongmuren" S2B2C platform was still in a consolidation stage with a focus on optimizing its network of collaborative stores, diversifying its product offerings and adjusting its business strategies with the number of stores reduced, and that hog prices in Mainland China showed an upward trend in the second and third quarters of 2022 but a downward trend since the fourth quarter of 2022, which reduced the Shopkeepers' appetite for trade and thus amount of hog purchased during 1H2023. Therefore, the revenue generated for 1H2023 was significantly lower than that for 1H2022.

Cost of Sales and Services Provided

Cost of sales and services provided decreased from approximately RMB813.3 million for 1H2022 to approximately RMB206.8 million for 1H2023, representing a significant decrease of approximately 74.6% mainly due to the significant decrease in revenue contributed from the Fresh Food Retail segment and thus, the relevant costs also decreased significantly.

Gross Profit and Gross Profit Margin

We recorded gross profit of approximately RMB13.2 million for 1H2023 (1H2022: RMB25.0 million), representing a decrease of approximately 47.2% as compared to that for 1H2022, mainly due to the reduced sales volume since the consumer sentiment remain weak caused by slower-than-expected domestic economy recovery. The overall gross profit margin increased from approximately 3.0% to approximately 6.0%, mainly due to the increased contribution in sales from the New Jewellery Retail segment, which generally has a higher gross profit margin than the Fresh Food Retail segment.

Other Income, Other Gains and Losses

Other income and other gains and losses mainly include bank interest income and net exchange losses respectively.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 24.8% from approximately RMB21.4 million for 1H2022 to approximately RMB16.1 million for 1H2023, mainly due to the decrease from the Fresh Food Retail segment which focused on optimizing its network of collaborative stores, diversifying its product offerings and adjusting its business strategies during the current interim period, which led to less selling and distribution expenses.

Administrative Expenses

Administrative expenses decreased by approximately 20.3% from approximately RMB18.2 million for 1H2022 to approximately RMB14.5 million for 1H2023, mainly benefited from the successful implementation of cost control measures in the Fresh Food Retail segment following the abovementioned adjustment in the business strategies.

Income Tax (credit) expense

Income tax (credit) expense decreased from income tax expense of approximately RMB7,000 for 1H2022 to income tax credit of approximately RMB0.5 million for 1H2023 mainly due to the decrease in assessable income and deferred tax adjustment.

Loss for the Period

For 1H2023, we recorded a loss attributable to owners of the Company of approximately RMB15.0 million (1H2022: RMB10.3 million). Such increase in loss was mainly attributable to the following factors:

(i) in respect of the Group's New Jewellery Retail segment, the sales volume for 1H2023 remained low due to continuously weak consumer sentiment caused by slower-than-expected domestic economic recovery, while fixed costs less dependent on sales volume such as administrative expenses were still incurred, resulting in a net loss for the segment for 1H2023; and

(ii) in respect of the Group's Fresh Food Retail segment, the sales volume and revenue for 1H2023 were significantly lower than those for 1H2022, while the cost of sales and other related costs and expenses were also significantly reduced accordingly. However, given its status of overall development, the segment had not started to generate a net profit during 1H2023.

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 products. For 1H2023, inventory turnover days were approximately 898 days (for the year ended 31 December 2022: 207 days). The increase was due to the increased proportion of sales from the New Jewellery Retail segment, which generally has a higher inventories turnover day than the Fresh Food Retail segment.

The turnover days for trade receivables for 1H2023 were approximately 17 days (for the year ended 31 December 2022: 5 days). The increase was mainly due to the increased proportion of trade receivable from the New Jewellery Retail segment which generally has a longer credit term for its customers than the Fresh Food Retail segment.

The turnover days for trade payables for 1H2023 were approximately 35 days (for the year ended 31 December 2022: 7 days). The increase was mainly due to increase in the trade payable of the New Jewellery Retail segment which has a longer repayment term to suppliers.

Bank Borrowings

As of 30 June 2023, the Group's bank borrowings balance amounted to approximately RMB99.0 million (as of 31 December 2022: RMB84.1 million), of which approximately RMB89.0 million of bank borrowings was carried at floating interest rate and approximately RMB10.0 million was carried at fixed interest rate (as of 31 December 2022: RMB74.0 million was carried at floating interest rate and RMB10.1 million was carried at fixed interest rate). The bank borrowings would be due for repayment within one year.

The Group's net gearing ratio was calculated on the basis of bank borrowings less bank balances and cash as a percentage of total equity. The ratio remained stable. As of 30 June 2023, the Group was in a net cash position with a net gearing ratio of approximately -28.9% (as of 31 December 2022: -28.4%).

Capital Expenditures

For 1H2023, the Group invested approximately RMB1.1 million in property, plant and equipment (1H2022: RMB0.3 million).

Capital Commitments

As of 30 June 2023 and 31 December 2022, the Group did not incur any capital commitments.

Contingent Liabilities

During the six months ended 30 June 2023, Jiangxi Jiyin Company Limited*（江西吉銀實業有限公司）(“**Jiangxi Jiyin**”), a subsidiary of the Group, provided a corporate guarantee of RMB250,000,000 to Jiangxi Longtianyong Nonferrous Metals Co., Ltd.*（江西龍天勇有色金屬有限公司）(“**Jiangxi Longtianyong**”), a fellow subsidiary of the Group and a wholly-owned subsidiary of China Silver Group Limited (the immediate and ultimate holding company of the Group), to obtain a bank borrowing. If Jiangxi Longtianyong fails to repay the bank borrowing based on the borrowing terms in the loan agreement, Jiangxi Jiyin will become liable to compensate such bank accordingly (for the year ended 31 December 2022: RMB250,000,000).

Pledge of Assets

As of 30 June 2023 and 31 December 2022, none of the Group’s assets was pledged.

Foreign Exchange Risk

Almost all of the Group’s assets, liabilities, revenues, costs and expenses were denominated in RMB. As a result, the management believes that foreign exchange exposure of the Group is minimal and confirms no foreign exchange hedging arrangement has been made.

Employees

As of 30 June 2023, the Group employed 255 staff members (31 December 2022: 258 staff members) and the total remuneration for 1H2023 amounted to approximately RMB15.2 million (1H2022: RMB14.3 million). The Group’s remuneration packages are in line with the current legislation in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group’s financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during 1H2023. During 1H2023 and 1H2022, the Group was principally financed by internal resources and bank borrowings. During 1H2023, the group's principal financing instruments comprise bank balances and cash, trade and other receivables, as well as trade and other payables and bank borrowings. As of 30 June 2023, the bank balances and cash, net current assets, and total assets less current liabilities were approximately RMB490.3 million (as of 31 December 2022: RMB475.2 million), RMB1,317.4 million (as of 31 December 2022: RMB1,338.9 million) and RMB1,358.3 million (as of 31 December 2022: RMB1,379.2 million), respectively.

Interim Dividend

The Board has resolved not to declare an interim dividend for 1H2023 (1H2022: nil).

Significant Events After the Reporting Period

There is no material subsequent event after the reporting period.

OTHERS

Code of Corporate Governance Practice

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises two executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Part 2 of Appendix 14 to the Listing Rules. During 1H2023, the Company had complied with the code provisions under the CG Code except for code provision C.2.1.

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

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

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry with all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during 1H2023.

Purchase, Sale or Redemption of the Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during 1H2023.

Audit Committee

The Audit Committee has reviewed the financial reporting processes and risk management and internal control systems and the unaudited condensed consolidated financial statements for 1H2023 of the Group. The Audit Committee is of the opinion that these unaudited condensed consolidated financial statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

Acknowledgement

Gratitude is expressed to the management and all of our staff for their hard work and dedication, as well as our shareholders and customers for their continuous support to the Group.

Publication of Interim Results Announcement and Interim Report

This announcement is published on the websites of the Company (www.csmall.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2023 interim report of the Company will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By Order of the Board
CSMall Group Limited
Chen He
Chairman

Hong Kong, 29 August 2023

As at the date of this announcement, the executive directors of the Company are Mr. Chen He and Mr. Qian Pengcheng; and the independent non-executive directors of the Company are Mr. Yu Leung Fai, Mr. Hu Qilin and Mr. Zhang Zuhui.

* *For identification purpose only*