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CSMall Group Limited
金猫银猫集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1815)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

HIGHLIGHTS OF 2024 INTERIM RESULTS

The Group's revenue for 1H2024 was approximately RMB100.8 million (1H2023: RMB220.0 million), representing a significant decrease of approximately 54.2% as compared to that for 1H2023.

Loss attributable to owners of the Company for 1H2024 was approximately RMB11.0 million (1H2023: RMB15.0 million). Such decrease in loss was mainly attributable to the following factor:

- (i) in respect of the Group's New Jewellery Retail segment, although the segment's overall sales volume for 1H2024 had reduced due to a significant decrease in sales of gold products, the segment had recorded a growth in sales of silver products, which had a higher gross profit margin compared to gold products, resulting in an increase in gross profit and thus a turnaround from net loss to net profit for the segment for 1H2024.

The aforesaid factor is partially offset by the following unfavorable factors:

- (ii) in respect of the Group’s Fresh Food Retail segment, given that the “Nongmuren” S2B2C platform had been continuously undergoing business reorganization and adjusting its business strategies, the sales volume for 1H2024 had reduced compared to that for 1H2023; in addition, the segment has recognized an impairment loss on goodwill of approximately RMB8.5 million due to a re-estimation of the segment’s expected future cash flows, resulting in an increase in net loss for the segment for 1H2024; and
- (iii) a net provision for impairment loss under expected credit loss model of approximately RMB6.1 million has been recognized for 1H2024 in respect of the Group’s trade and other receivables, as compared to approximately RMB1.4 million for 1H2023.

The board of directors (individually, a “**Director**”, or collectively, the “**Board**” or the “**Directors**”) of CS Mall Group Limited (the “**Company**” or “**CS Mall**”) 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 2024 (“**1H2024**”, “**first half of the year**”, “**the period**”, “**current period**”, “**current interim period**” or “**reporting period**”) together with the comparative figures for the corresponding period in 2023 (“**1H2023**”). 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 2024

	<i>Notes</i>	Six months ended 30 June	
		2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (unaudited)
Revenue	4	100,757	219,973
Cost of sales and services provided		<u>(74,050)</u>	<u>(206,768)</u>
Gross profit		26,707	13,205
Other income, net		596	3,411
Other gains and losses, net		(194)	(1,926)
Selling and distribution expenses		(12,364)	(16,091)
Administrative expenses		(10,702)	(14,480)
Research and development expenses		–	(139)
Impairment loss on goodwill	9	(8,504)	–
Provision for impairment loss under expected credit loss model, net	11	(6,063)	(1,424)
Finance costs		<u>(2,590)</u>	<u>(3,461)</u>
Loss before income tax		(13,114)	(20,905)
Income tax (expense) credit	5	<u>(1,511)</u>	<u>542</u>
Loss and total comprehensive expense for the period	6	<u>(14,625)</u>	<u>(20,363)</u>
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		(10,986)	(15,048)
Non-controlling interests		<u>(3,639)</u>	<u>(5,315)</u>
		<u>(14,625)</u>	<u>(20,363)</u>
Loss per share	8	<i>RMB</i>	<i>RMB</i>
Basic		<u>(0.01)</u>	<u>(0.02)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	<i>Notes</i>	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		8,361	10,142
Goodwill	<i>9</i>	3,972	12,476
Right-of-use assets		2,152	4,424
Intangible assets		5,034	5,421
Investment in associates		12	12
Deferred tax assets		4,675	3,726
		24,206	36,201
CURRENT ASSETS			
Inventories		975,145	980,549
Trade and other receivables	<i>10</i>	138,974	131,178
Amount due from immediate holding company		16,392	15,443
Amount due from a fellow subsidiary		12,485	2,944
Tax recoverable		736	736
Bank balances and cash		431,466	419,510
		1,575,198	1,550,360
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	138,915	113,862
Amounts due to fellow subsidiaries		2,084	2,310
Amounts due to related companies		8,492	8,892
Amount due to a non-controlling interest		22,978	22,513
Lease liabilities – current portion		2,120	3,825
Contract liabilities		1,948	3,584
Income tax payable		8,835	6,761
Bank borrowings	<i>13</i>	99,000	94,000
		284,372	255,747
NET CURRENT ASSETS		1,290,826	1,294,613
TOTAL ASSETS LESS CURRENT LIABILITIES		1,315,032	1,330,814

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
CAPITAL AND RESERVES		
Share capital	842	842
Share premium and reserves	<u>1,324,660</u>	<u>1,335,646</u>
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		
Non-controlling interests	<u>1,325,502 (12,817)</u>	<u>1,336,488 (9,178)</u>
TOTAL EQUITY	<u>1,312,685</u>	<u>1,327,310</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	1,258	1,355
Lease liabilities – non-current portion	<u>1,089</u>	<u>2,149</u>
	<u>2,347</u>	<u>3,504</u>
TOTAL EQUITY AND NON-CURRENT LIABILITIES	<u><u>1,315,032</u></u>	<u><u>1,330,814</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. MATERIAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

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 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1	Classification of Liabilities as Current and Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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 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:

For the six months ended 30 June 2024

	New Jewellery Retail segment <i>RMB'000</i> (unaudited)	Fresh Food Retail segment <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Revenue			
External sales	<u>98,509</u>	<u>2,248</u>	<u>100,757</u>
Total segment revenue	<u><u>98,509</u></u>	<u><u>2,248</u></u>	<u><u>100,757</u></u>
Results			
Segment results	<u><u>5,049</u></u>	<u><u>(15,380)</u></u>	<u>(10,331)</u>
Non-segment items			
Unallocated income, expenses, gains and losses			(193)
Finance costs			<u>(2,590)</u>
Loss before income tax			<u><u>(13,114)</u></u>

For the six months ended 30 June 2023

	New Jewellery Retail segment <i>RMB'000</i> (unaudited)	Fresh Food Retail segment <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Revenue			
External sales	<u>141,867</u>	<u>78,106</u>	<u>219,973</u>
Total segment revenue	<u><u>141,867</u></u>	<u><u>78,106</u></u>	<u><u>219,973</u></u>
Results			
Segment results	<u><u>(4,466)</u></u>	<u><u>(10,929)</u></u>	(15,395)
Non-segment items			
Unallocated income, expenses, gains and losses			(2,049)
Finance costs			<u>(3,461)</u>
Loss before income tax			<u><u>(20,905)</u></u>

(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 2024 and 2023 are generated in the PRC.

4. REVENUE

Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 June	
	2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (unaudited)
By products		
New Jewellery Retail segment		
– Sales of silver products	83,633	44,322
– Sales of gold products	12,548	96,029
– Sales of colored gemstones	1,801	1,369
– Sales of gem-set and other jewellery products	527	147
	<u>98,509</u>	<u>141,867</u>
Fresh Food Retail segment		
– Sales of fresh food products	2,248	78,106
	<u>2,248</u>	<u>78,106</u>
Total	<u>100,757</u>	<u>219,973</u>

All of the revenue was recognised at a point in time during the six months ended 30 June 2024 and 2023.

5. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
PRC Enterprise Income Tax (“EIT”)		
– current period	2,557	–
Deferred tax	(1,046)	(542)
	<u>1,511</u>	<u>(542)</u>

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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(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)	74,050	206,768
Depreciation of property, plant and equipment	1,781	2,189
Depreciation of right-of-use assets	2,272	2,444
Amortisation of intangible assets	387	388
Impairment loss on goodwill (<i>note 9</i>)	8,504	–
Bank interest income	(544)	(790)
Net exchange loss	295	2,048
Expenses on short-term leases in respect of office premises and retail shops	83	62

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 2023: 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	
	2024	2023
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share (<i>RMB'000</i>)	<u>(10,986)</u>	<u>(15,048)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share (<i>in thousand</i>)	<u>1,237,875</u>	<u>1,237,875</u>

No diluted loss per share for the six months ended 30 June 2024 and 2023 is presented as there were no potential dilutive shares in issue for both periods.

9. GOODWILL

	<i>RMB'000</i>
Cost	
As at 1 January 2023, 31 December 2023 and 30 June 2024	<u>12,476</u>
Impairment	
As at 1 January 2023 and 31 December 2023	–
Impairment loss recognised for the six months ended 30 June 2024	<u>8,504</u>
As at 30 June 2024	<u>8,504</u>
Carrying values	
As at 30 June 2024	<u>3,972</u>
As at 31 December 2023	<u><u>12,476</u></u>

The goodwill is allocated to the cash generating unit (“CGU”) 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.

For the six months ended 30 June 2024, management considered the Fresh Food Retail segment to continuously undergo business reorganisation and business strategies adjustments, which resulted in the reduction in sales volume for the six months ended 30 June 2024. The management decided to re-estimate the segment's expected future cash flows for the six months ended 30 June 2024, and recognised an impairment loss on goodwill of approximately RMB8,504,000 as at 30 June 2024.

The calculation uses pre-tax cash flow projections based on financial budgets approved by management using an average annual growth rate in the 7.5 years period from the balance sheet date of 59.7% (31 December 2023: an average annual growth rate in 8 years period of 70.1%). Management believes that it is appropriate for the cash flow projections to cover a 7.5 years (31 December 2023: 8 years) period because it captures the early development stage of the Fresh Food Retail segment during which the Group expects to experience a high growth rate of revenue.

Cash flows beyond the 7.5 years period are expected to be similar to that of the 7.5 year, taking into account of the estimated terminal growth rate of 2.0% (31 December 2023: 2.0%). 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 18.8% (31 December 2023: 18.8%). 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.

10. TRADE AND OTHER RECEIVABLES

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Trade receivables for contracts with customers	83,036	79,282
<i>Less:</i> allowance for expected credit losses in respect of trade receivables	(25,622)	(22,221)
	57,414	57,061
Other receivables, deposits and prepayments	57,594	59,622
<i>Less:</i> allowance for expected credit losses in respect of other receivables	(8,521)	(5,859)
Prepayments to suppliers (<i>Note</i>)	11,278	4,629
Value-added tax ("VAT") recoverable	20,417	14,963
Refundable rental deposits	792	762
	138,974	131,178

Note: Included in the balance is prepayments paid to a fellow subsidiary of the Group, Jiangxi Longtianyong Nonferrous Metals Co., Ltd.* (江西龍天勇有色金屬有限公司), a wholly-owned subsidiary of China Silver Group, with a carrying amount of RMB8,205,000 as at 30 June 2024 (31 December 2023: RMB1,601,000)

Before accepting any new customer, other than those settling by cash or credit cards, the Group assesses the potential customer's credit quality and defines its credit limits based on reputation of the customer in the industry.

The Group does not grant any credit period to its retail customers and generally grants its corporate customers a credit period ranging from 1 to 90 days and requires advance deposits for 30% to 100% of the contract value from its customers before delivery of goods.

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

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
0 – 30 days	50,242	51,317
31 – 60 days	585	633
61 – 90 days	15	188
Over 90 days	6,572	4,923
	<u>57,414</u>	<u>57,061</u>

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Details of impairment assessment of trade and other receivables for the six months ended 30 June 2024 and 2023 are set out in note 11.

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Provision for impairment loss recognised in respect of,		
– trade receivables, net	3,401	1,424
– other receivables, net	2,662	–
	<u>6,063</u>	<u>1,424</u>

The basis of determining the inputs and assumptions and the estimation techniques used in estimation of expected credit loss in respect of trade receivables and other receivables in these condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2023.

12. TRADE AND OTHER PAYABLES

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Trade payables	30,348	30,139
Other payables and accrued expenses	82,763	61,966
VAT and other tax payables	18,391	14,344
Provision for termination of assignment contracts (<i>note</i>)	7,413	7,413
	<u>138,915</u>	<u>113,862</u>

Note:

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 2024, 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 2023: RMB7,413,000).

* *The English name is for identification only.*

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

	30 June 2024 RMB’000 (unaudited)	31 December 2023 RMB’000 (audited)
0 - 30 days	626	5,918
31 - 60 days	21	50
61 – 90 days	206	292
Over 90 days	29,495	23,879
	30,348	30,139

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

13. BANK BORROWINGS

The total banking facility granted to the Group amounted to RMB99,000,000 (31 December 2023: RMB97,500,000) of which RMB99,000,000 (31 December 2023: RMB94,000,000) were utilised as at 30 June 2024.

As at 30 June 2024, bank borrowings are secured and/or guaranteed by (i) personal guarantee from a director of China Silver Group Limited (“**China Silver Group**”), the Company’s immediate and ultimate holding company, 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 a subsidiary and a fellow subsidiary; (v) corporate guarantee from a fellow subsidiary; and (vi) personal guarantee from independent third parties (31 December 2023: (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 a subsidiary; and (v) corporate guarantee from a fellow subsidiary).

Bank borrowings of RMB19,000,000 as at 30 June 2024 (31 December 2023: RMB14,000,000) carry interest at fixed rates of 3.45% to 4.25% (31 December 2023: 4.25%) per annum and RMB80,000,000 (31 December 2023: RMB80,000,000) carry interest at loan prime rate plus 0.00% to 1.85% (31 December 2023: 1.85%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 1H2024, with the adverse impacts of domestic structural adjustments surfacing, the PRC's economy remained in a critical period of recovery, undergoing transformation and upgrades. The external environment was increasingly intricate, harsh and unpredictable, and the factors influencing economic growth becoming more intricate than previously observed. While there was a noticeable recovery trend in the PRC's overall consumption, residents' individual consumption remained subdued. In view of the PRC's macroeconomic development being under pressure in the past six months and the current situation of weak consumption, the Group has been exploring and considering suitable business opportunities within and outside the jewellery industry from time to time to diversify business risks. On the one hand, we previously entered into the fresh food industry of essential consumer goods to diversify our business. On the other hand, we have also been looking for new business growth drivers for our jewellery retail business. In view of the general upward trajectory of precious metals such as gold and silver, the Group seeks to generate business synergies and long-term profit growth drivers through the acquisition of mines containing gold, silver and other precious metals.

New Jewellery Retail Segment

The sales strategy of the Group's New Jewellery Retail segment is primarily focused on gold and silver, supplemented by gemstones and jewellery. During 1H2024, the gold and silver sales accounted for approximately 97.6% of the segment's total sales. Building upon the foundation of our gold and silver business, we also developed a new business, i.e. the lab-grown diamond brand SISI. Last year, SISI focused its resources and efforts on the brand planning, brand marketing, product design, team structure adjustment and expansion, and regional agency nationwide of this project, and vigorously invested in development. After intensive preparations, the products of the brand SISI gradually entered the market.

As central banks in many countries increased their gold reserves and international geopolitical tensions continued, gold and silver prices soared in the first half of the year. We will pay continuous attention to the trend of gold and silver prices, monitor their impact on the retail business, and seize the growth opportunity to intensify the development of the core businesses of gold and silver.

Compared with overseas markets, the development of China's lab-grown diamond industry is relatively late. At the current stage, the penetration rate of China's lab-grown diamond jewellery consumption is low, and there is still a relatively large room for improvement. The present lab-grown diamond market is in the stage of cultivating consumers' awareness of lab-grown diamond. After one or two years of market cultivation, the popularity of domestic lab-grown diamond consumption concept may surge and reach a higher degree of awareness, and the lab-grown diamond industry market will expand. The Group's SISI brand differentiates itself from the monotonous marketing and sales methods of other lab-grown diamonds brands currently on the market. SISI adheres to "one source for one diamond" and focuses on "growing warm jewellery-grade DNA diamonds for love" with the brand concept of "growing diamonds for love". The concept is applied in various life scenes, e.g. "Love Diamond", "Lanugo Diamond", "Family Diamond", "Pet Diamond", "Friendship Diamond", and "Self-Pleasing Diamond", to connect the emotions of new life, encounter, companionship and commemoration.

Apart from lab-grown diamonds, the Group also continues to be optimistic about the room for appreciation and market potential of colored gemstones. Given their scarcity and investment value, colored gemstones such as rubies are poised to experience a consistent and stable price increase in the long run. In response, the Group will prudently evaluate its sales strategy and progressively broaden its sales channels.

Due to the Group's new business initiatives, store expansion was halted in the first half of the year. Online sales still account for more than 50% of the total sales of the New Jewellery Retail segment. In recent years, the Group enhanced 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. Besides developing the existing e-commerce and live streaming sales of product categories, the Group also actively expanded the new business of SISI. The Group launched its new social media-based operating model through WeChat (微信) official account, TikTok (抖音), Xiaohongshu (小紅書), video channel, Weibo (微博), etc., to achieve strong exposure for the SISI brand through content integration.

Online Sales Channels

In 1H2024, 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 2024, due to the development of the new business, the Group ceased to expand existing stores and adjusted the layout of offline business outlets. As of 30 June 2024, we had 10 franchised CSmall Shops located in 6 provinces and municipalities in the PRC, with presence in Beijing, Heilongjiang, Henan, 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 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 during the epidemic in 2022. In 1H2024, the platform made further strategic adjustments, and suspended the rapid expansion model and the original business expansion of the Meat Shopkeeper. In 2024, the focus of the Group was placed on exploring more competitive product categories and establishing and solidifying Lamb Shopkeeper (羊掌櫃), Noodle Shopkeeper (麵掌櫃) and other new shopkeepers of different forms. The Group allocated 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. The Group will maintain a wait-and-see approach in the short term, waiting for adjustments in business and the team. After platform adjustments in the second half of the year lead to improved performance of new businesses, further investments and product replication will be made.

Prospects

Looking ahead, global geopolitical and economic uncertainties persist, and risk aversion is rising, driving the price of precious metals such as gold and silver. The United States Federal Reserve's accommodative monetary policy will also contribute to the sustained and significant rise of gold and silver prices. Therefore, we are optimistic about the future of the gold and silver market, and will continue to pay attention to the development of the core businesses of gold and silver. In August this year, the Group acquired 51% equity interest in Jiangxi Letong New Materials Company Limited* (江西樂通新材料有限公司) (“**Jiangxi Letong**”). Jiangxi Letong's wholly owned subsidiary Tibet Longtianyong Mining Company Limited* (西藏龍天勇礦業有限公司) is engaged in exploration of lead and zinc mines and holds an exploration license which grants it the right to conduct general exploration on mineral resources within an area of 28.88 km² in Lhoka, Tibet covered under the exploration license. Lead and zinc mines usually contain lead, zinc and other rare metals, which include precious metal materials such as gold, silver, platinum and so on. The acquisition will not only bring synergy to the Group's existing businesses of gold, silver and other precious metals, but also help to diversify their business risks.

On the other hand, as the Chinese government will place greater emphasis on strengthening residents' consumer demand and cultivating new areas of consumption growth to expand domestic consumption, these will help facilitate a rapid recovery of the market. We are full of confidence in the future market. 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 1H2024 was approximately RMB100.8 million (1H2023: RMB220.0 million), representing a significant decrease of approximately 54.2% from that for 1H2023.

	1H2024		1H2023	
	Revenue <i>RMB'000</i> (unaudited)	% of revenue (unaudited)	Revenue <i>RMB'000</i> (unaudited)	% of revenue (unaudited)
New Jewellery Retail Segment				
<i>Online Sales Channels</i>	<u>56,043</u>	<u>55.6%</u>	<u>117,622</u>	<u>53.5%</u>
<i>Offline Retail and Service Network</i>				
CSmall Shops	<u>259</u>	<u>0.3%</u>	<u>844</u>	<u>0.4%</u>
Shenzhen Exhibition Hall	<u>42,207</u>	<u>41.9%</u>	<u>23,401</u>	<u>10.6%</u>
	<u>42,466</u>	<u>42.2%</u>	<u>24,245</u>	<u>11.0%</u>
Fresh Food Retail Segment	<u>2,248</u>	<u>2.2%</u>	<u>78,106</u>	<u>35.5%</u>
Total	<u><u>100,757</u></u>	<u><u>100.0%</u></u>	<u><u>219,973</u></u>	<u><u>100.0%</u></u>

New Jewellery Retail Segment

Online Sales Channels

For 1H2024, the online sales channels recorded sales of approximately RMB56.0 million (1H2023: RMB117.6 million), representing a significant decrease of approximately 52.4% as compared to that for 1H2023. The COVID-19 pandemic had significantly accelerated the growth and widespread adoption of online sales channels, particularly through short video marketing, e-commerce live streaming, and KOL promotion in the past years. However, following the pandemic, the segment's growth continued to slow down during the current period. This ongoing deceleration is probably due to a sluggish domestic economic recovery, weak consumer sentiment, and reduced purchasing power. Consequently, these factors have collectively contributed to a decline in sales from online sales channels.

Offline Retail and Service Network

For 1H2024, the offline retail and service network recorded sales of approximately RMB42.5 million (1H2023: RMB24.2 million), representing a significant increase of approximately 75.2% as compared to that for 1H2023, because pandemic restrictions were lifted and offline retail sales have gradually picked up and shown an overall growth trend.

Fresh Food Retail Segment

During 1H2024, given that the “Nongmuren” S2B2C platform had been continuously undergoing further business reorganization and adjusting its business strategies, the sales volume of the Fresh Food Retail segment for 1H2024 had reduced compared to that for 1H2023, and the revenue recorded a significant decrease of approximately 97.1% as compared to that for 1H2023.

Cost of Sales and Services Provided

Cost of sales and services provided decreased from approximately RMB206.8 million for 1H2023 to approximately RMB74.1 million for 1H2024, representing a significant decrease of approximately 64.2% mainly due to the significant decrease in revenue contributed from both the New Jewellery Retail segment and the Fresh Food Retail segment and thus, the relevant costs also decreased accordingly.

Gross Profit and Gross Profit Margin

We recorded gross profit of approximately RMB26.7 million for 1H2024 (1H2023: RMB13.2 million), representing a significant increase of approximately 102.2% as compared to that for 1H2023. Although the New Jewellery Retail segment's overall sales volume for 1H2024 had reduced due to a significant decrease in sales of gold products, the segment had recorded a growth in sales of silver products, which had a higher gross profit margin compared to gold products, resulting in an increase in gross profit. The overall gross profit margin increased from approximately 6.0% for 1H2023 to approximately 26.5% for 1H2024, 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.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 23.2% from approximately RMB16.1 million for 1H2023 to approximately RMB12.4 million for 1H2024, mainly due to the decrease in sales from the Fresh Food Retail segment which had been continuously undergoing further business reorganization and adjusting its business strategies during the current interim period, which resulted in lower related selling and distribution expenses.

Administrative Expenses

Administrative expenses decreased by approximately 26.1% from approximately RMB14.5 million for 1H2023 to approximately RMB10.7 million for 1H2024, mainly due to the ongoing impact of cost control measures in the Fresh Food Retail segment following the abovementioned adjustment in the business strategies.

Income Tax Expense (Credit)

Income tax saw a turnaround from income tax credit of approximately RMB0.5 million for 1H2023 to income tax expense of approximately RMB1.5 million for 1H2024 mainly due to the increase in the PRC Enterprise Income Tax charged for the period.

Loss for the Period

For 1H2024, we recorded a loss attributable to owners of the Company of approximately RMB11.0 million (1H2023: RMB15.0 million). Such decrease in loss was mainly attributable to the following factor:

- (i) in respect of the Group's New Jewellery Retail segment, although the segment's overall sales volume for 1H2024 had reduced due to a significant decrease in sales of gold products, the segment had recorded a growth in sales of silver products, which had a higher gross profit margin compared to gold products, resulting in an increase in gross profit and thus a turnaround from net loss to net profit for the segment for 1H2024,

which is partially offset by the following unfavorable factors:

- (ii) in respect of the Group's Fresh Food Retail segment, given that the "Nongmuren" S2B2C platform had been continuously undergoing business reorganization and adjusting its business strategies, the sales volume for 1H2024 had reduced compared to that for 1H2023; in addition, the segment recognized an impairment loss on goodwill of approximately RMB8.5 million due to a re-estimation of the segment's expected future cash flows, resulting in an increase in net loss for the segment for 1H2024; and

(iii) a net provision for impairment loss under expected credit loss model of approximately RMB6.1 million has been recognized for 1H2024 in respect of the Group's trade and other receivables, as compared to approximately RMB1.4 million for 1H2023. The significant increase was mainly due to the longer aging of trade and other receivables. In view of the general economic condition and an assessment of both the current condition and future forecast, a more conservative provision for impairment was provided based on the expected credit loss model during the period.

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 1H2024, inventory turnover days were approximately 2,417 days (for the year ended 31 December 2023: 778 days). The increase in inventory turnover days was primarily due to the reduced sales in the New Jewellery Retail segment, which led to slower-moving inventory.

The turnover days for trade receivables for 1H2024 were approximately 104 days (for the year ended 31 December 2023: 28 days). The increase was mainly due to the increased proportion of trade receivables 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 1H2024 were approximately 75 days (for the year ended 31 December 2023: 25 days). The increase was mainly due to increase in the trade payables of the New Jewellery Retail segment which has a longer repayment term to suppliers.

Bank Borrowings

As of 30 June 2024, the Group's bank borrowings balance amounted to approximately RMB99.0 million (as of 31 December 2023: RMB94.0 million), of which approximately RMB80.0 million of bank borrowings was carried at floating interest rate and approximately RMB19.0 million was carried at fixed interest rate (as of 31 December 2023: RMB80.0 million was carried at floating interest rate and RMB14.0 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 2024, the Group was in a net cash position with a net gearing ratio of approximately -25.3% (as of 31 December 2023: -24.4%).

Capital Expenditures

For 1H2024, the Group did not have any capital expenditures (1H2023: RMB1.1 million invested in property, plant and equipment).

Capital Commitments

As of 30 June 2024 and 31 December 2023, the Group did not incur any capital commitments.

Contingent Liabilities

During the six months ended 30 June 2024, 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 RMB250.0 million 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, 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 2023: RMB250.0 million).

Pledge of Assets

As of 30 June 2024 and 31 December 2023, 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 2024, the Group employed 133 staff members (as of 31 December 2023: 215 staff members) and the total remuneration for 1H2024 amounted to approximately RMB11.3 million (1H2023: RMB15.2 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 1H2024. During 1H2024 and 1H2023, the Group was principally financed by internal resources and bank borrowings. During 1H2024, the Group's principal financing instruments comprised bank balances and cash, trade and other receivables, trade and other payables, and bank borrowings. As of 30 June 2024, the bank balances and cash, net current assets, and total assets less current liabilities were approximately RMB431.5 million (as of 31 December 2023: RMB419.5 million), RMB1,290.8 million (as of 31 December 2023: RMB1,294.6 million) and RMB1,315.0 million (as of 31 December 2023: RMB1,330.8 million), respectively.

Interim Dividend

The Board has resolved not to declare an interim dividend for 1H2024 (1H2023: nil).

Significant Investment Held, Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures, and Plans for Significant Investment or Acquisition of Capital Assets in the Future

The Group did not hold any significant investment nor carry out any significant acquisition and disposal of subsidiaries, associates and joint ventures during 1H2024, nor was there any plan for other significant investment or acquisition of capital assets in the future.

Significant Event After the Reporting Period

On 15 August 2024, Jiangxi Jiying Company Limited* (江西吉銀實業有限公司) (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Jiangxi Huiying Trading Company Limited* (江西輝穎貿易有限公司) (the “**Vendor**”), an independent third party of the Group, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 51% equity interest in Jiangxi Letong New Materials Company Limited* (江西樂通新材料有限公司) (the “**Target Company**”) for a total consideration of RMB2,550,000.

The Target Company is a company incorporated in the PRC with limited liability. The Target Company held 100% equity interest in Tibet Longtianyong Mining Company Limited* (西藏龍天勇礦業有限公司) (“**Tibet Longtianyong**”), a company incorporated in the PRC with limited liability. Tibet Longtianyong is principally engaged in the exploration of lead and zinc mines. The transaction was completed on 21 August 2024.

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 Appendix C1 to the Listing Rules. During 1H2024, 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 C3 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 1H2024.

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 1H2024.

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 of the Group for 1H2024. 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 2024 interim report of the Company will be dispatched to the shareholders of the Company who requested printed copies and made available on the same websites in due course.

By Order of the Board
CSMall Group Limited
Chen He
Chairman

Hong Kong, 30 August 2024

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*