中國白銀集團
CHINA SILVER GROUP

CHINA SILVER GROUP LIMITED
中國白銀集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 815)

金貓銀貓 CSmall
买珠宝只选金猫银猫

CSMall Group Limited
金貓銀貓集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1815)

JOINT ANNOUNCEMENT

(1) INVESTMENT BY CHINA SILVER AND CSMALL IN JIANGSU NONGMUREN ELECTRONIC BUSINESS CORP. FOR 51% EFFECTIVE OWNERSHIP

(2) TERMINATION OF PREVIOUSLY ANNOUNCED DISCLOSEABLE TRANSACTION AND MAJOR TRANSACTION OF CHINA SILVER AND DISCLOSEABLE TRANSACTION OF CSMALL IN RELATION TO ACQUISITION OF 94% EFFECTIVE OWNERSHIP IN JIANGSU NONGMUREN ELECTRONIC BUSINESS CORP.

TERMINATION OF THE ORIGINAL ACQUISITION AGREEMENT

On 31 December 2021 (after trading hours), Shenzhen Guojintongbao (a wholly-owned subsidiary of CSMall and a non-wholly-owned subsidiary of China Silver) and Bric Suzhou, among others, entered into a termination agreement, pursuant to which Shenzhen Guojintongbao (as the original purchaser) and Bric Suzhou (as the original vendor) mutually agreed that the Original Acquisition Agreement dated 29 August 2021 shall be terminated. Accordingly, the proposed acquisition by China Silver and CSMall of 94% effective ownership in the Target Company (i.e. Jiangsu Nongmuren Electronic Business Corp.*(江蘇農牧人電子商務股份有限公司)) contemplated under the Original Acquisition Agreement will not proceed.

ENTERING INTO OF THE NEW INVESTMENT AGREEMENT

On 31 December 2021 (after trading hours), Shenzhen Guojintongbao, Bric Suzhou, Suzhou Nonggou Daohe, Mr. Sun and the Target Company entered into the New Investment Agreement, pursuant to which Shenzhen Guojintongbao shall obtain 51% effective ownership in the Target Company in consideration for the Capital Injection of RMB26,000,000 payable in cash to the Target Company in two installments.

It is expected that upon the payment of the first installment of the Capital Injection, CSMall (through Shenzhen Guojintongbao and the New VIE Agreements) will be able to consolidate the Target Company as a non-wholly-owned subsidiary and obtain 51% effective ownership in the Target Company, and China Silver (through CSMall) will in turn also be able to consolidate the Target Company as a non-wholly-owned subsidiary.

As the highest of the Applicable Percentage Ratios in respect of the Capital Injection is less than 5% for each of China Silver and CSMall, the Capital Injection does not constitute a notifiable transaction for each of China Silver and CSMall under Chapter 14 of the Listing Rules.

TERMINATION OF THE ORIGINAL ACQUISITION AGREEMENT

Reference is made to (i) the August Announcement, i.e. the announcement jointly issued by China Silver and CSMall dated 29 August 2021 as clarified by the clarification announcement dated 30 August 2021, in relation to, among other things, the proposed acquisition of 94% effective ownership in the Target Company pursuant to the Original Acquisition Agreement; and (ii) the announcements issued by China Silver dated 16 September 2021, 13 October 2021, 15 November 2021 and 15 December 2021 in relation to the delay in dispatch of the circular in respect of the proposed major transaction of China Silver regarding the deemed disposal of approximately 3.02% interest in CSMall resulting in deconsolidation.

The China Silver Board and the CSMall Board hereby announce that on 31 December 2021 (after trading hours), Shenzhen Guojintongbao (a wholly-owned subsidiary of CSMall and a non-wholly-owned subsidiary of China Silver) and Bric Suzhou, among others, entered into a termination agreement, pursuant to which Shenzhen Guojintongbao (as the original purchaser) and Bric Suzhou (as the original vendor) mutually agreed that the Original Acquisition Agreement shall be terminated and the rights and obligations of both parties thereunder shall be discharged. Accordingly, the proposed acquisition by China Silver and CSMall of 94% effective ownership in the Target Company contemplated under the Original Acquisition Agreement will not proceed, and the aforesaid circular in respect of the proposed major transaction of China Silver will not be published.

The decision to terminate the Original Acquisition Agreement and enter into the New Investment Agreement was reached after arm's length negotiations among Shenzhen Guojintongbao, Bric Suzhou and the Target Company after considering, among other things, the following advantages of a revised transaction structure:

(1) The Capital Injection will be directly paid to the Target Company in cash, thereby enabling it to use the funds to support and further expand its business operations;

(2) The Capital Injection will not involve the issue of consideration shares by CSMall and thus will not result in any dilution to China Silver's shareholding in CSMall, thereby allowing China Silver to continue to consolidate CSMall as a non-wholly-owned subsidiary in the absence of other changes to CSMall's share capital; and

(3) Mr. Sun (being the actual controller of the existing shareholders of the Target Company) will not dispose of any stake in the Target Company and will continue to exert influence over the Target Company as a significant minority shareholder, thereby incentivizing him to continue to support and accelerate the Target Company's growth.

Please refer to the section headed "Entering Into of the New Investment Agreement" below for further information on the Capital Injection under the New Investment Agreement.

ENTERING INTO OF THE NEW INVESTMENT AGREEMENT

The China Silver Board and the CSMall Board are pleased to jointly announce that on 31 December 2021 (after trading hours), Shenzhen Guojintongbao, Bric Suzhou, Suzhou Nonggou Daohe, Mr. Sun and the Target Company entered into the New Investment Agreement, pursuant to which Shenzhen Guojintongbao shall obtain 51% effective ownership in the Target Company in consideration for the Capital Injection of RMB26,000,000 payable in cash to the Target Company in two installments.

The principal terms of the New Investment Agreement are summarized as follows:

Date

31 December 2021 (after trading hours)

Parties

(1) Shenzhen Guojintongbao, as the investor

(2) Bric Suzhou, as an existing shareholder of the Target Company

(3) Suzhou Nonggou Daohe, as an existing shareholder of the Target Company

(4) Mr. Sun, as the actual controller of Bric Suzhou and Suzhou Nonggou Daohe

(5) The Target Company

To the best knowledge, information and belief of the China Silver Directors and the CSMall Directors having made all reasonable enquiries, Bric Suzhou, Suzhou Nonggou Daohe, Mr. Sun and the Target Company are third parties independent of China Silver and CSMall and their respective connected persons. Please refer to the section headed "General Information" below for further information on these parties.

Subject Matter

Immediately prior to the entering into of the New Investment Agreement, the equity interest in the Target Company was held as to 94% by Bric Suzhou and 6% by Suzhou Nonggou Daohe.

Pursuant to the New Investment Agreement, the parties thereto agreed that:

(1) Shenzhen Xiansheng Zhanggui shall be incorporated as a special purpose vehicle, with Shenzhen Guojintongbao, Bric Suzhou and Suzhou Nonggou Daohe subscribing for 51%, 46.06% and 2.94% of its registered capital, respectively;

(2) Bric Suzhou and Suzhou Nonggou Daohe shall transfer their respective entire holdings of the existing equity interest in the Target Company to Designated Person 1;

(3) Shenzhen Guojintongbao shall fund the Capital Injection and procure Designated Person 2 to subscribe for newly issued equity interest in the Target Company such that Designated Person 2 will hold 51% of the equity interest in the Target Company on an enlarged basis; and

(4) Shenzhen Xiansheng Zhanggui, the Target Company, Designated Person 1 and Designated Person 2 shall enter into the New VIE Agreements, such that Shenzhen Xiansheng Zhanggui will be able to consolidate the Target Company as a wholly-owned subsidiary, and in turn CSMall (through Shenzhen Guojintongbao) will be able to consolidate the Target Company as a non-wholly-owned subsidiary and obtain 51% effective ownership in the Target Company.

Payment of the Capital Injection

The Capital Injection of RMB26,000,000 shall be funded by Shenzhen Guojintongbao and shall be paid in cash to the Target Company in the following manner:

(1) The first installment of RMB6,000,000 shall be paid within five PRC business days after the entering into of the New Investment Agreement; and

(2) The second installment of RMB20,000,000 shall be paid on or before 31 May 2022.

Basis for the Determination of the Capital Injection Amount

The amount of the Capital Injection was determined after arm's length negotiations between Shenzhen Guojintongbao and the Target Company primarily with reference to the post-money valuation of 100% equity interest in the Target Company of approximately RMB50,980,000 (as implied by the amount of the Capital Injection and the 51% effective ownership to be obtained by Shenzhen Guojintongbao). Such implied post-money valuation of the Target Company was arrived at after considering, among other things, the following factors:

(1) The historical financial information (in particular, monthly revenue) and operating data (in particular, monthly gross merchandise value (GMV) and month-end number of collaborative franchise stores) of the Target Company from May 2021 to November 2021, which demonstrate the rapid growth of its scale of operations since the official launch of the Target S2B2C Platform in May 2021;

(2) The growth potential of the Target Company, as demonstrated by the fact that the Target S2B2C Platform was only operating in Suzhou at its official launch in May 2021 but has expanded its reach to neighboring cities over the Yangtze River Delta region in subsequent months; and

(3) For reference purpose only, a price-to-sales (P/S) ratio analysis comparing (i) the implied post-money valuation of the Target Company and the monthly sales on the Target S2B2C Platform for August 2021; and (ii) the market capitalization and next 12 months' projected sales as at late August 2021 of certain operators of PRC online or online-and-offline fresh food retail business (with at least 40% of revenue generated through online platforms) listed on major stock exchanges in the PRC or the United States, which analysis shows that the implied post-money valuation of the Target Company is within a fair and reasonable range. Other common financial ratios such as price-to-book (P/B) ratio and price-to-earnings (P/E) ratio are not used because they either do not reflect the value of intangible economic assets (such as sales channels, customer relationships, supplier relationships and intellectual property rights) or are not applicable to companies without earnings (which is the case for many early-stage e-commerce companies).

Based on the above, the China Silver Directors and the CSMall Directors are of the view that the amount of the Capital Injection is fair and reasonable.

Other Key Provisions

Pursuant to the New Investment Agreement, the parties thereto also agreed and acknowledged, among other things, that:

(1) The holding of 51% of the equity interest in the Target Company on an enlarged basis by Designated Person 2, and the corresponding entitlement to profit distribution or dividend, shall take effect no later than the receipt by the Target Company of the first installment of the Capital Injection;

(2) The holding of 51% of the equity interest in Shenzhen Xiansheng Zhanggui by Shenzhen Guojintongbao, and the corresponding entitlement to profit distribution or dividend, shall not be affected by the fact that the registered capital in Shenzhen Xiansheng Zhanggui subscribed for by Shenzhen Guojintongbao may not be fully paid up;

(3) The 51% effective ownership in the Target Company by Shenzhen Guojintongbao through Shenzhen Xiansheng Zhanggui and the New VIE Agreements, and the corresponding entitlement to profit distribution or dividend, shall not be affected by the fact that the Capital Injection will be paid in two installments; and

(4) The shareholders of the Target Company have approved or will prior to Completion approve the appointment of new directors of the Target Company, of whom three out of five will be appointed by Shenzhen Guojintongbao.

Conditions Precedent

Completion is conditional upon the satisfaction (or if applicable, waiver) of the following Conditions Precedent:

(1) The actions set forth in the sub-section headed "Subject Matter" above having been completed;

(2) Bric Suzhou, Suzhou Nonggou Daohe and the Target Company having obtained all necessary consents from any third parties in connection with the performance of the New Investment Agreement and the transactions contemplated thereunder, such consents being unconditional and fully and immediately effective;

(3) The New Investment Agreement, the incorporation of Shenzhen Xiansheng Zhanggui and the New VIE Agreements having been approved by the shareholders of Bric Suzhou;

(4) The New Investment Agreement, the subscription for equity interest in the Target Company by Designated Person 2, the New VIE Agreements and the appointment of new directors of the Target Company (of whom three out of five will be appointed by Shenzhen Guojintongbao) having been approved by the shareholders of the Target Company;

(5) The Target Company having executed (in a form satisfactory to Shenzhen Guojintongbao) employment agreements of not less than three years, confidentiality agreements and non-competition agreements with its certain senior management and core employees;

(6) There being no occurrence of change(s) that might have caused a material adverse effect to the condition of assets, financial conditions, conditions of business operations or technological and legal aspects of the Target Company;

(7) Shenzhen Guojintongbao having conducted legal, financial and business due diligence on the Target Company and being satisfied with the due diligence outcome;

(8) On and before the date of Completion, there being no objection from the Stock Exchange in relation to the terms of the New Investment Agreement and the transactions contemplated thereunder;

(9) Shenzhen Guojintongbao having obtained a PRC legal opinion (in a form satisfactory to it) as to, among other things, the legality, effectiveness and necessity of the control over the Target Company by CSMall (or its subsidiary in the PRC) through the New VIE Agreements;

(10) As at the date of Completion, there not having been any decisions made, or any applicable laws proposed, enacted, enforced, promulgated or issued by any governmental authorities that would prohibit or substantially delay (i) the payment of the Capital Injection; (ii) the execution of the New VIE Agreements (and/or relevant changes in shareholders); (iii) the operation of the Target Company post-Completion; or (iv) where such prohibition or delay may reasonably be expected to cause a material adverse effect to the Target Company, or to the commercial benefit Shenzhen Guojintongbao intends to receive from the Capital Injection;

(11) The representations, warranties and undertakings of the Target Company, Bric Suzhou, Suzhou Nonggou Daohe and Mr. Sun contained in the New Investment Agreement being true, accurate and not misleading as at the date of Completion; and

(12) The first installment of the Capital Injection having been paid by Designated Person 2 to the Target Company.

Except for Conditions Precedent (1), (8) and (12), Shenzhen Guojintongbao may waive any of the Conditions Precedent. For the avoidance of doubt, Bric Suzhou and Suzhou Nonggou Daohe agreed that, except for Conditions Precedent (8) and (12), the realization and fulfillment of the Conditions Precedent is the obligation and responsibility of the Target Company, Bric Suzhou, Suzhou Nonggou Daohe and Mr. Sun.

Completion

Completion shall be deemed to take place on the date on which all the Conditions Precedent have been fulfilled or waived (as the case may be).

Please refer to the section headed "Accounting Treatment and Financial Impact" below for China Silver and CSMall's expected accounting treatment in respect of the Target Company upon Completion.

The New VIE Agreements

For the reasons set forth in the section headed "The VIE Agreements – Background and Reasons for the Use of the VIE Agreements" of the August Announcement, various regulations in the PRC restrict foreign-invested enterprises from holding certain licenses required to operate business in relation to value-added telecommunications services. As advised by the PRC Legal Adviser, these regulations coupled with regulatory policy reasons effectively mean that any acquisition of equity interest (whether below or above 50%) in the Target Company by a WFOE like Shenzhen Guojintongbao would not be approved by the relevant competent approving regulatory authority in the PRC.

The New VIE Agreements allow Shenzhen Xiansheng Zhanggui to exercise control over the operations of the Target Company and enjoy the economic benefits generated by the Target Company via the contractual arrangements, and therefore allow Shenzhen Guojintongbao (as the 51% shareholder of Shenzhen Xiansheng Zhanggui) to enjoy 51% of such control and economic benefits.

The New VIE Agreements comprise the following agreements:

(1) An exclusive option agreement entered into among Shenzhen Xiansheng Zhanggui, Designated Person 1, Designated Person 2 and the Target Company, whereby Designated Person 1 and Designated Person 2 irrevocably grant Shenzhen Xiansheng Zhanggui an exclusive option to purchase all or part of the equity interest in the Target Company and an exclusive option to purchase all or part of the Target Company's assets;

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

(3) An equity pledge agreement entered into among Shenzhen Xiansheng Zhanggui, Designated Person 1, Designated Person 2 and the Target Company, whereby Designated Person 1 and Designated Person 2 agree to pledge all of their equity interest in the Target Company to Shenzhen Xiansheng Zhanggui to secure their contractual obligations under the New VIE Agreements;

(4) Shareholder voting right entrustment agreements entered into (i) among Shenzhen Xiansheng Zhanggui, Designated Person 1 and the Target Company; and (ii) among Shenzhen Xiansheng Zhanggui, Designated Person 2 and the Target Company, whereby Designated Person 1 and Designated Person 2 irrevocably agree to authorize any person designated by Shenzhen Xiansheng Zhanggui to exercise their rights and powers as shareholders of the Target Company; and

(5) Spouse consent letters executed by (i) Designated Person 1; and (ii) the present spouse of Designated Person 2, whereby Designated Person 1 undertakes to procure her future spouse to agree, and the present spouse of Designated Person 2 agrees, to execute all necessary documents and take all necessary actions for ensuring the due performance of the New VIE Agreements and not to bring any claim in respect of the equity interest in the Target Company held by Designated Person 1 and Designated Person 2, respectively.

Please also refer to the section headed "The VIE Agreements – Other Matters Under the VIE Agreements" of the August Announcement (where references to "the Purchaser" shall be taken to mean Shenzhen Xiansheng Zhanggui, references to "the Vendor" and/or "the Designated Shareholders" shall be taken to mean Designated Person 1 and Designated Person 2, and references to "the VIE Agreements" shall be taken to mean the New VIE Agreements) for an overview of certain customary provisions of the New VIE Agreements.

Effect and Legality of the New VIE Agreements

As advised by the PRC Legal Adviser, the relevant competent approving regulatory authority in relation to the issuance of licenses for telecommunication operations has confirmed that (i) even if a WFOE (or its wholly-owned subsidiary) only plans to acquire 50% or less of the equity interest in the Target Company, notwithstanding the fact that the WFOE has a good business record and experience in operating value-added telecommunications business, for policy reasons, it will not approve such investment of 50% or less of the equity interest by a WFOE in the Target Company; and (ii) where a WFOE (or its wholly-owned subsidiary) obtains economic benefit and actual control (whether below or above 50%) of the Target Company through a series of contractual arrangements with the Target Company and its shareholder, such contractual arrangements will not contravene the applicable laws of PRC, and do not require the recognition or approval of or registration at the relevant competent regulatory authority.

Having taken reasonable actions and steps to reach its legal conclusions, the PRC Legal Adviser is of the following legal opinion:

(1) The New VIE Agreements are narrowly tailored to achieve the business purposes of CSMall and minimize the potential for conflict with relevant PRC laws and regulations;

(2) Each of the New VIE Agreements, and all of the New VIE Agreements taken as a whole, complies with the articles of association of Shenzhen Xiansheng Zhanggui and the Target Company;

(3) Each of the New VIE Agreements, and all of the New VIE Agreements taken as a whole, complies with all applicable PRC laws and regulations, including those applicable to the business of the Target Company and Shenzhen Xiansheng Zhanggui, and does not violate, breach, contravene or otherwise conflict with any applicable PRC laws and regulations. Specifically, the New VIE Agreements comply with the general rules on the effectiveness of contracts;

(4) Each of the New VIE Agreements have been duly authorized, executed and delivered by the parties thereto, all required government authorization in respect of the New VIE Agreements have been duly obtained, and the New VIE Agreements are legal, valid and binding on the parties thereto. Specifically, the relevant PRC laws and regulations do not prohibit foreign investors from gaining control over or participating in the business which the Target Company does by establishing contractual arrangements; and

(5) Each of the New VIE Agreements, and all of the New VIE Agreements taken as a whole, would not be deemed as "concealing illegal intentions with a lawful form" and void under PRC contract law.

Based on the above, the China Silver Board and the CSMall Board are of the view that the New VIE Agreements are narrowly tailored to achieve the business purposes and to minimize the potential conflict with relevant PRC laws and regulations. China Silver and CSMall will unwind the New VIE Agreements as soon as relevant PRC laws and regulations governing foreign investment in the operation of value-added telecommunications services are issued which allow China Silver or CSMall or any of their respective wholly-owned subsidiaries to register itself as a shareholder of the Target Company.

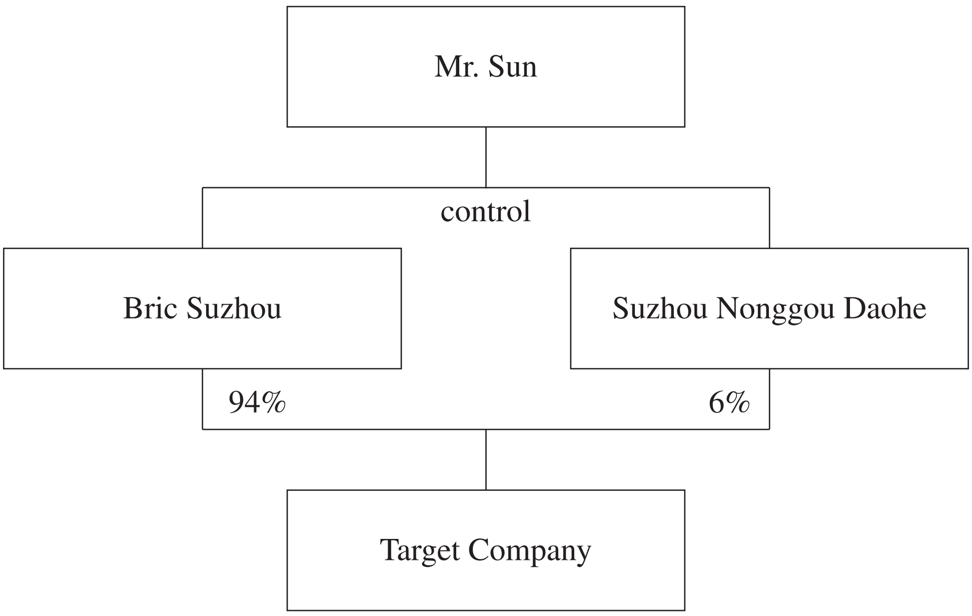
To the best knowledge, information and belief of the China Silver Directors and the CSMall Directors having made all reasonable enquiries, as at the date of this joint announcement, the Target Company has not encountered any interference or encumbrance from any governing bodies in operating its business under the New VIE Agreements.

Please also refer to the section headed "Risks in Relation to the VIE Agreements" of the August Announcement (where references to "the Purchaser" shall be taken to mean Shenzhen Xiansheng Zhanggui, references to "the Vendor" and/or "the Designated Shareholders" shall be taken to mean Designated Person 1 and Designated Person 2, references to "94% effective ownership" shall be taken to mean 51% effective ownership, and references to "the VIE Agreements" shall be taken to mean the New VIE Agreements) for an overview of certain risk factors in relation to the use of the New VIE Agreements.

SHAREHOLDING AND OWNERSHIP STRUCTURE OF THE TARGET COMPANY

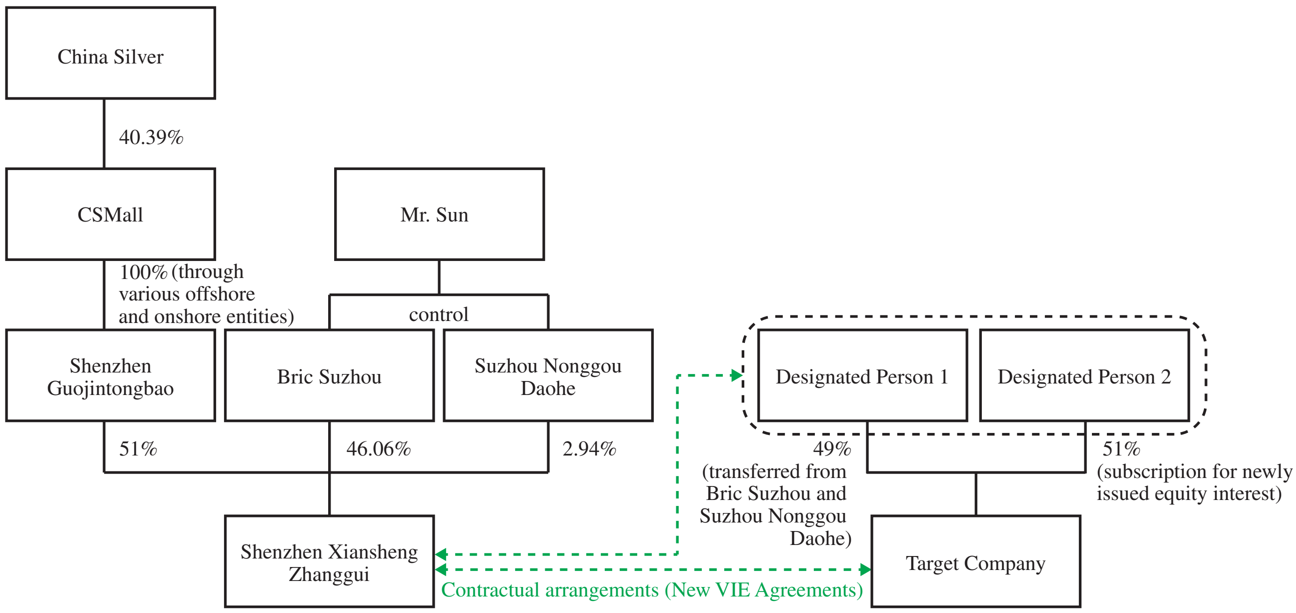
As at the Date of this Joint Announcement

The following diagram illustrates the shareholding and ownership structure of the Target Company immediately prior to the entering into of the New Investment Agreement:



Upon the Payment of the First Installment of the Capital Injection

The following diagram illustrates the shareholding and ownership structure of the Target Company upon the payment of the first installment of the Capital Injection:



GENERAL INFORMATION

Information on the Target Company

The Target Company is a company incorporated in the PRC limited by shares. As at the date of this joint announcement, the Target Company is owned as to 94% by Bric Suzhou and 6% by Suzhou Nonggou Daohe.

Incorporated in 2015, the Target Company is the developer and operator of the Target S2B2C Platform, namely the "農牧人" ("Nongmuren", meaning farmers and herdsmen) platform, which was officially launched in May 2021 and which provides branding and SaaS (software as a service) services to enterprises along the agricultural supply chain as well as small and medium-sized businesses in the PRC. Small and medium-sized businesses are empowered through the S2B2C (supply chain to business to customer) model, whilst farms and farmers are empowered through the F2B2C (farm to business to customer) model, to achieve whole-process digitalization from agricultural laborers' cultivation of crops and rearing of livestock to citizens' consumption of agricultural products.

The Target S2B2C Platform primarily comprises the mobile apps of "農牧人商城" ("Nongmuren Shopping Mall"), "農牧人貨棧" ("Nongmuren Warehouse"), "農牧人掌櫃" ("Nongmuren Shopkeeper") and "農牧人農場" ("Nongmuren Farm"), which together form a complete operating system to promote the development of county-level brand agriculture, assist in the sales of characteristic agricultural products and improve agricultural laborers' income, thereby eventually realizing the Chinese dream of rural revitalization.

Essentially, the Target S2B2C Platform connects the upstream suppliers/farms, merchants and end customers, creating an inter-connected eco-system. Through the Target S2B2C Platform, upstream wholesale suppliers (for example, farms) are able to supply goods to the merchants (collaborative franchise stores with an exclusive cooperative relationship with the Target Company), while end customers are able to use the Target S2B2C Platform to order and buy goods from the merchants. The Target Company will purchase the goods from the upstream suppliers according to orders made on the Target S2B2C Platform by the merchants, who in turn determine demand for products from orders made by end customers using the Target S2B2C Platform. The Target S2B2C Platform provides settlement services among the various stakeholders, whereby end customers will pay the Target Company directly and the Target Company will settle with other parties (i.e. the upstream suppliers and merchants). The benefits of the Target Company's business model include, among other things, the dispensation from having to manage inventory, or provide warehousing or logistics services. The Target S2B2C Platform represents a marketplace whereby existing service providers are able to connect with each other to create greater efficiencies and minimize inventory.

According to the audited financial statements of the Target Company prepared in accordance with the Accounting Standards for Enterprises*（企業會計準則）of the PRC and related application guidelines, the audited total assets and net assets of the Target Company as at 31 December 2020 amounted to RMB28,052,915.74 and RMB6,636,708.53 respectively, and the audited operating income, gross profit and net profit before and after income tax of the Target Company for the financial years ended 31 December 2019 and 2020 were as follows:

	For the financial year ended 31 December 2019	**For the financial year ended 31 December 2020**
Operating income	RMB6,306,631.46	RMB9,621,941.89
Gross profit (i.e. operating revenue minus operating costs and sales tax)	RMB3,754,210.19	RMB4,233,665.33
Net profit before income tax	RMB687,594.55	RMB915,906.91
Net profit after income tax *(Note)*	RMB687,594.55	RMB915,906.91

Note: There was no payment of income tax as losses made in previous accounting years were carried forward and set off against the profits made.

It should be noted that as the Target Company's key business operations, namely the Target S2B2C Platform, was only launched in May 2021, the above historical financial information is included for reference purpose only and does not reflect the scale of operations, performance or profitability of the Target S2B2C Platform.

As at the date of this joint announcement, the Target Company has one subsidiary, namely Qingdao Nongmuren Supply Chain Management Co., Ltd.*（青島農牧人供應鏈管理有限公司）which is owned as to 51% by the Target Company and has not commenced operations since its incorporation in 2020.

Information on Bric Suzhou and Suzhou Nonggou Daohe

Bric Suzhou is a company incorporated in the PRC limited by shares. It operates online platforms in the agricultural sector, including big data in agriculture, data storage and analysis. As at the date of this joint announcement, to the knowledge of China Silver and CSMall, Bric Suzhou is owned as to approximately 56.26% and 18.80%, respectively, by Beijing Buruike and Suzhou Nonggou Daohe (both of which are majority-controlled by Mr. Sun), and approximately 24.94% by a number of minority investors (each owning less than 10%).

Suzhou Nonggou Daohe is a limited partnership incorporated in the PRC. It invests in online businesses in the agricultural sector such as the Target Company. As at the date of this joint announcement, to the knowledge of China Silver and CSMall, Suzhou Nonggou Daohe is owned as to 90% by Mr. Sun and 10% by Mr. Wu Yake (吳亞科).

Information on Mr. Sun

Mr. Sun is the founder of Beijing Buruike and the chairman and general manager of Bric Suzhou. He obtained his degrees in Astrophysics and Economics from Peking University* (北京大學). He subsequently worked on analysis of agriculture economics model at the Institute of Agricultural Economics and Development* (農業經濟與發展研究所) at the Chinese Academy of Agricultural Sciences* (中國農業科學院). He is an executive vice chairman of the National Rural Industry Integration and Development Alliance* (全國農村產業融合發展聯盟). His work focuses on integrating big data with the traditional agriculture industry.

Information on China Silver, CSMall, Shenzhen Guojintongbao, Shenzhen Xiansheng Zhanggui, Designated Person 1 and Designated Person 2

The China Silver Group is a leading fully-integrated silver and precious metals enterprise in the PRC with three business segments, including (i) the manufacturing segment, i.e. manufacture, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC; (ii) the new jewellery retail segment, i.e. the business of the CSMall Group; and (iii) the silver exchange segment, i.e. provision of a professional electronic platform and related services for silver trading in the PRC.

The CSMall Group is a leading integrated online and offline Internet-based jewellery retailer in the PRC, primarily engaged in the design and sale of gold, silver, gem-set and other jewellery products. As at the date of this joint announcement, CSMall is owned as to approximately 40.39% by China Silver and is accounted for as a non-wholly-owned subsidiary of China Silver.

Shenzhen Guojintongbao is a wholly-owned subsidiary of CSMall and a non-wholly-owned subsidiary of China Silver, and has not commenced business as at the date of this joint announcement.

Shenzhen Xiansheng Zhanggui is a special purpose vehicle incorporated for the sole purpose of entering into the New VIE Agreements.

Designated Person 1 and Designated Person 2 are employees of the CSMall Group (not being directors of China Silver or CSMall or any of their respective subsidiaries), who are expected to be responsible for the daily operation and management of the Target Company after it becomes part of the CSMall Group.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

CSMall's Commitment to Modernizing and Empowering Traditional Industries

CSMall has all along been committed to modernizing and empowering the PRC jewellery retail industry. By adopting the "new jewellery retail model" since its inception in 2013, CSMall established an integrated online and offline jewellery retail structure by seamlessly integrating its online sales channels and offline retail and service network, and has increasingly empowered its business operations with technologies such as digitization, big data and artificial intelligence. In 2019, CSMall also began its strategic collaboration with King Tai Fook, a nationwide jewellery retail chain, whereby CSMall has helped modernize King Tai Fook's traditional jewellery retail business with big data analytics provided by CSMall's "intelligent marketing decision support system".

Meanwhile, CSMall is highly supportive of the PRC national strategy of "rural revitalization" put forward by President Xi Jinping in 2017. With its proven track record in the PRC jewellery retail industry, CSMall believes that it is well-positioned and well-equipped to replicate its success to assist in modernizing and empowering another traditional industry, namely the PRC agricultural industry.

Diversification of CSMall's Business Risks

Leveraging on its established e-commerce platform and in view of the ongoing COVID-19 pandemic which has affected the consumption behavior of the Chinese public, CSMall is minded to diversify its business by tapping into the essential consumer goods sector which has flourished during the COVID-19 pandemic.

Specifically, by expanding its business operations from the retail of jewellery, a non-essential good, to the retail of agricultural products, an essential good, the Capital Injection serves to diversify the business risks of CSMall. In adverse times such as the COVID-19 pandemic, demand for non-essential goods would naturally decrease, while demand for essential goods would always remain. Given (i) the technology and business model that accompany the Target Company (please refer to the section headed "General Information – Information on the Target Company" above for details); and (ii) the rate of business expansion of the Target Company under such environment (please refer to the section headed "The New Investment Agreement – Basis for the Determination of the Capital Injection Amount" above for details), the Capital Injection will be beneficial to CSMall as the Target Company not only has applicable value to CSMall, but also has its own development potential.

China Silver/CSMall and the Target Company To Be Mutually Reinforcing

The Capital Injection will be directly paid to the Target Company in cash, thereby enabling it to use the funds to support and further expand its business operations. Besides, with their technological capabilities, working capital as well as fundraising options as listed companies, China Silver and CSMall believes that they will be able to continuously support and accelerate the Target Company's growth. At the same time, CSMall intends to enhance its existing platform or develop a separate platform for its jewellery retail business based on the underlying algorithms and coding adopted by the Target S2B2C Platform and the related mobile apps. By obtaining a majority effective ownership in the Target Company, CSMall can gain access to the Target S2B2C Platform and thus reduce the development costs of such enhanced or new jewellery retail platform. Therefore, China Silver and CSMall on one hand, and the Target Company on the other hand, are expected to be mutually reinforcing.

China Silver and CSMall intend to retain the current management of the Target Company to ensure the business continuity of the Target Company. China Silver and CSMall also have relevant expertise and experience in the O2O (online to offline) and Internet retail industry to operate the Target Company, as CSMall (initially a business segment of China Silver) has been operating its own e-commerce platform since 2014. Accordingly, China Silver and CSMall's management has sufficient relevant expertise and experience, and will utilize its experience in integrated online-and-offline operations in developing and managing the Target Company.

Based on the above, the China Silver Directors and the CSMall Directors consider that the terms of the New Investment Agreement and the New VIE Agreements are fair and reasonable, and that the Capital Injection is in the interest of the shareholders of China Silver and of CSMall, respectively, as a whole.

ACCOUNTING TREATMENT AND FINANCIAL IMPACT

By virtue of (i) the New VIE Agreements; (ii) the provisions of the New Investment Agreement (in particular, those set forth in the section headed "Entering Into of the New Investment Agreement – Other Key Provisions" above); and (iii) a PRC legal opinion issued by the PRC Legal Adviser, it is expected that immediately upon Completion:

(1) Shenzhen Xiansheng Zhanggui will be able to consolidate the Target Company as a wholly-owned subsidiary;

(2) CSMall (through its wholly-owned subsidiary Shenzhen Guojintongbao and the New VIE Agreements) will be able to consolidate the Target Company as a non-wholly-owned subsidiary and obtain 51% effective ownership in the Target Company; and

(3) China Silver (through its non-wholly-owned subsidiary CSMall) will in turn also be able to consolidate the Target Company as a non-wholly-owned subsidiary.

China Silver and CSMall have confirmed with their auditors on the above accounting treatment.

The Capital Injection is expected to be funded by the CSMall Group's internal financial resources. On the basis that the Target Company will become a non-wholly-owned subsidiary of each of China Silver and CSMall as explained above, the Capital Injection is not expected to result in any net cash outflow from the China Silver Group or from the CSMall Group on a consolidated basis.

LISTING RULES IMPLICATIONS

Pursuant to Rules 14.15(2) and 14.22 of the Listing Rules, Shenzhen Guojintongbao's subscription for 51% of the registered capital in Shenzhen Xiansheng Zhanggui (amounting to RMB510,000) and its actual funding of the Capital Injection (amounting to RMB26,000,000) shall be aggregated in the calculation of the Applicable Percentage Ratios. As the highest of the Applicable Percentage Ratios calculated on this basis is less than 5% for each of China Silver and CSMall, the Capital Injection does not constitute a notifiable transaction for each of China Silver and CSMall under Chapter 14 of the Listing Rules.

DEFINITIONS

In this joint announcement, the following expressions have the following meanings unless the context otherwise requires:

"Applicable Percentage Ratios"	the percentage ratios set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
"August Announcement"	the announcement jointly issued by China Silver and CSMall dated 29 August 2021 as clarified by the clarification announcement dated 30 August 2021, in relation to, among other things, the proposed acquisition of 94% effective ownership in the Target Company
"Beijing Buruike"	Beijing Buruike Agriculture Information Technology Co., Ltd.*（北京布瑞克農信科技集團有限責任公司）, a company incorporated in the PRC with limited liability

"Bric Suzhou"	Bric (Suzhou) Agriculture Information Technology Co., Ltd.* (布瑞克(蘇州)農業互聯網股份有限公司), a company incorporated in the PRC limited by shares
"Capital Injection"	the capital injection of RMB26,000,000 to be funded by Shenzhen Guojintongbao, payable in cash to the Target Company
"China Silver"	China Silver Group Limited (中國白銀集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 815)
"China Silver Board"	the board of China Silver Directors
"China Silver Director(s)"	director(s) of China Silver
"China Silver Group"	China Silver and its subsidiaries from time to time
"Completion"	the completion of the transactions contemplated under the New Investment Agreement (other than the payment of the second installment of the Capital Injection)
"Conditions Precedent"	the conditions precedent to Completion as listed under the section headed "Entering into of the New Investment Agreement – Conditions Precedent" of this joint announcement
"CSMall"	CSMall Group Limited (金貓銀貓集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1815)
"CSMall Board"	the board of CSMall Directors
"CSMall Director(s)"	director(s) of CSMall

"CSMall Group"	CSMall and its subsidiaries from time to time
"Designated Person 1"	Ms. Xiao Fen (肖芬), a PRC national
"Designated Person 2"	Mr. Lian Binbin (連斌斌), a PRC national
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Mr. Sun"	Mr. Sun Tong (孫彤), the actual controller of Bric Suzhou and Suzhou Nonggou Daohe
"New Investment Agreement"	the investment agreement dated 31 December 2021 entered into among Shenzhen Guojintongbao, Mr. Sun, Bric Suzhou, Suzhou Nonggou Daohe and the Target Company in relation to, among other things, the Capital Injection
"New VIE Agreements"	a series of contracts entered into among Shenzhen Xiansheng Zhanggui, the Target Company, Designated Person 1 and Designated Person 2, that allow Shenzhen Xiansheng Zhanggui to exercise control over the operations of the Target Company and enjoy the economic benefits generated by the Target Company via the contractual arrangements
"Original Acquisition Agreement"	the conditional acquisition agreement dated 29 August 2021 entered into between, among others, Shenzhen Guojintongbao and Bric Suzhou in relation to the proposed acquisition of 94% effective ownership in the Target Company, which was terminated pursuant to a termination agreement dated 31 December 2021

"PRC"	the People's Republic of China, which for the purpose of this joint announcement, does not include Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
"PRC Legal Adviser"	Jingtian & Gongcheng Attorneys at Law* (競天公誠律師事務所)
"Shenzhen Guojintongbao"	Shenzhen Guojintongbao Company Limited* (深圳國金通寶有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of CSMall and a non-wholly-owned subsidiary of China Silver
"Shenzhen Xiansheng Zhanggui"	Shenzhen Xiansheng Zhanggui Technology Co., Ltd.* (深圳鮮生掌櫃科技有限公司), a company incorporated in the PRC with limited liability
"Suzhou Nonggou Daohe"	Suzhou Nonggou Daohe Investment Management Center (Limited Partnership)* (蘇州農購道合投資管理中心(有限合夥)), a limited partnership incorporated in the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in the Listing Rules
"Target Company"	Jiangsu Nongmuren Electronic Business Corp.* (江蘇農牧人電子商務股份有限公司), a company incorporated in the PRC limited by shares
"Target S2B2C Platform"	the S2B2C (supply chain to business to customer) platform developed and operated by the Target Company as more particularly described in the section headed "General Information – Information on the Target Company" of this joint announcement

"WFOE"	a wholly-foreign-owned entity
"%"	per cent

Note: Names and expressions marked with an asterisk ("*") are literal translations of the Chinese original text and are included for identification purpose only.

By order of the China Silver Board
China Silver Group Limited
Chen Wantian
Chairman

By order of the CSMall Board
CSMall Group Limited
Chen He
Chairman

Hong Kong, 31 December 2021

As at the date of this joint announcement, the executive directors of China Silver are Mr. Chen Wantian, Mr. Song Guosheng and Mr. Liu Jiandong; and the independent non-executive directors of China Silver are Mr. Song Hongbing, Dr. Li Haitao and Dr. Zeng Yilong.

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