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)

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

JOINT ANNOUNCEMENT
(1) DISCLOSEABLE TRANSACTION OF CHINA SILVER AND OF CSMALL IN RELATION TO ACQUISITION OF 94% EFFECTIVE OWNERSHIP IN JIANGSU NONGMUREN ELECTRONIC BUSINESS CORP.
(2) ISSUE OF NEW SHARES BY CSMALL UNDER GENERAL MANDATE AS CONSIDERATION FOR ACQUISITION
(3) MAJOR TRANSACTION OF CHINA SILVER IN RELATION TO DEEMED DISPOSAL OF APPROXIMATELY 3.02% INTEREST IN CSMALL RESULTING IN DECONSOLIDATION

THE ACQUISITION

The Acquisition Agreement

The China Silver Board and the CSMall Board are pleased to jointly announce that on 29 August 2021, the Purchaser (a wholly-owned subsidiary of CSMall and a non-wholly-owned subsidiary of China Silver) entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell, 94% effective ownership in the Target Company, through the VIE Agreements, for a Consideration of RMB94,000,000 (equivalent to approximately HK$112,867,000) to be satisfied by the allotment and issue of 100,000,000 new CSMall Shares.

The Consideration Shares will be allotted and issued under the General Mandate at the issue price of RMB0.94 (equivalent to approximately HK$1.13) per Consideration Share. The Consideration Shares will, upon issue, represent (i) approximately 8.08% of the issued share capital of CSMall as at the date of this joint announcement; and (ii) approximately 7.47% of the issued share capital of CSMall as enlarged by the allotment and issue of the Consideration Shares, subject to Completion and assuming that there will be no change in the issued share capital of CSMall save for the allotment and issue of the Consideration Shares.

The VIE Agreements

Pursuant to the Acquisition Agreement, the Vendor and the Target Company have conditionally agreed to enter into the VIE Agreements. Upon Completion, the VIE Agreements will allow the Purchaser to consolidate the Target Company as a non-wholly-owned subsidiary and obtain 94% effective ownership in the Target Company

LISTING RULES IMPLICATIONS

The Acquisition: Discloseable Transaction for Each of CSMall and China Silver

As the highest Applicable Percentage Ratio in respect of the Acquisition is 5% or more but is less than 25% for each of CSMall and China Silver, the Acquisition constitutes a discloseable transaction for each of CSMall and China Silver and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Deemed Disposal: Major Transaction for China Silver

Immediately after the allotment and issue of the Consideration Shares, the percentage shareholding of China Silver in CSMall will be diluted from approximately 40.39% to approximately 37.37%, which constitutes a Deemed Disposal of approximately 3.02% of China Silver's interest in CSMall under Rule 14.29 of the Listing Rules.

It is expected that CSMall will no longer remain a subsidiary of China Silver following completion of the allotment and issue of the Consideration Shares. Therefore, the Applicable Percentage Ratios in respect of the Deemed Disposal will be calculated in accordance with Rule 14.31 of the Listing Rules on the basis of 100% of CSMall's total assets, profits and revenue. As the highest Applicable Percentage Ratio in respect of the Deemed Disposal is 25% or more but is less than 75% for China Silver, the Deemed Disposal constitutes a major transaction of China Silver and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The VIE Agreements: Potential Continuing Connected Transactions for CSMall Upon Completion

The VIE Agreements will be entered into among the Purchaser, the Vendor and the Target Company upon Completion. Depending on the equity interest holding structure and board composition of the Vendor and the Target Company at and after Completion, each of the Vendor and the Target Company may, or may not, become a connected person of CSMall, which may, or may not, render the transactions contemplated under the VIE Agreements continuing connected transactions for CSMall.

CSMall will closely monitor the situation before and after Completion, and will comply with all applicable requirements under Chapter 14A of the Listing Rules and/or apply to the Stock Exchange from a waiver from strict compliance with certain of such requirements as necessary and when appropriate.

DISPATCH OF CIRCULAR TO SHAREHOLDERS OF CHINA SILVER

A circular containing, among other things, (i) further information regarding the Acquisition Agreement, the VIE Agreements and the Deemed Disposal; and (ii) a notice of the extraordinary general meeting to be convened and held by China Silver for its shareholders to approve the Acquisition and the Deemed Disposal, is expected to be dispatched to the shareholders of China Silver on or before 17 September 2021, being 15 Hong Kong business days after the date of this joint announcement.

As Completion is subject to the fulfillment or waiver (as the case may be) of the Conditions Precedent, the Acquisition may or may not proceed. Shareholders of China Silver and CSMall and potential investors are advised to exercise caution when dealing in the securities of China Silver and CSMall.

INTRODUCTION

The China Silver Board and the CSMall Board are pleased to jointly announce that on 29 August 2021, the Purchaser (a wholly-owned subsidiary of CSMall and a non-wholly-owned subsidiary of China Silver) entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell, 94% effective ownership in the Target Company, through the VIE Agreements, for a Consideration of RMB94,000,000 (equivalent to approximately HK$112,867,000) to be satisfied by the allotment and issue of 100,000,000 new CSMall Shares.

THE ACQUISITION AGREEMENT

The main terms of the Acquisition Agreement are summarized as follows:

Date

29 August 2021

Parties

(1) Shenzhen Guojintongbao Company Limited* (深圳國金通寶有限公司), as the Purchaser

(2) Bric (Suzhou) Agriculture Information Technology Co., Ltd.* (布瑞克(蘇州)農業互聯網股份有限公司), as the Vendor

Assets to be Acquired

Under the Acquisition Agreement, the Purchaser has agreed to acquire, and the Vendor has agreed to sell, 94% effective ownership in the Target Company.

Consideration and Basis of Consideration

The Consideration is RMB94,000,000 (equivalent to approximately HK$112,867,000) and will be satisfied on the date of Completion by the allotment and issue of the Consideration Shares, being 100,000,000 new CSMall Shares, representing an issue price of RMB0.94 (equivalent to approximately HK$1.13) per Consideration Share. The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser, having considered, among other things, (i) the historical financial information and operating data of the Target Group; and (ii) the growth potential of the Target Group.

The Consideration Shares shall be issued and allotted under the General Mandate, and hence no separate approval from the shareholders of CSMall is required. Pursuant to the General Mandate, the total number of new CSMall Shares that the CSMall Directors are authorized to allot and issue is 247,575,008 new CSMall Shares (being 20% of the number of issued CSMall Shares as at 15 June 2021, the date of the annual general meeting of CSMall at which the General Mandate was granted). The General Mandate has not been utilized as at the date of this joint announcement since it was granted. The Consideration Shares to be allotted and issued will utilize part of the General Mandate, with 147,575,008 CSMall Shares remaining unutilized after the allotment and issue of the Consideration Shares. CSMall has not repurchased any CSMall Shares within the last 30 days prior to the date of this joint announcement, and has not conducted any equity fund raising activities within the last 12 months prior to the date of this joint announcement.

The issue price of RMB0.94 (equivalent to approximately HK$1.13) per Consideration Share represents (i) a premium of approximately 79.4% over the closing price of HK$0.63 per CSMall Share as quoted on the Stock Exchange on 27 August 2021, being the last trading day immediately prior to the date of the Acquisition Agreement; and (ii) a premium of approximately 89.0% over the average closing price of HK$0.598 per CSMall Share for 23 to 27 August 2021, being the last five consecutive trading days immediately prior to the date of the Acquisition Agreement. Such issue price was determined after arm's length negotiations between the Vendor and the Purchaser, having considered, among other things, (i) the prevailing market prices of the CSMall Shares; and (ii) the future prospects of the CSMall Group, including its growth potential after the Acquisition.

The Consideration Shares will, upon issue, represent (i) approximately 8.08% of the issued share capital of CSMall as at the date of this joint announcement; and (ii) approximately 7.47% of the issued share capital of CSMall as enlarged by the allotment and issue of the Consideration Shares, subject to Completion and assuming that there will be no change in the issued share capital of CSMall save for the allotment and issue of the Consideration Shares.

The Consideration Shares, when issued and allotted, shall rank pari passu in all respects with all other existing CSMall Shares outstanding on the date of Completion. An application will be made by CSMall to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

Having considered the factors taken into account by the Vendor and the Purchaser in arriving at the Consideration, the CSMall Directors and the China Silver Directors are of the view that the Consideration is fair and reasonable.

Conditions Precedent

Completion is conditional upon the satisfaction (or if applicable, waiver) of certain Conditions Precedent as set out below:

(1) each of the VIE Agreements having been duly executed by the parties thereto (in a form satisfactory to the Purchaser);

(2) the Target Company and the Vendor having obtained all necessary consents from any third parties in connection with the performance of the Acquisition Agreement and the transactions contemplated thereunder, such consents being unconditional and fully effective;

(3) the Acquisition Agreement, the VIE Agreements and the transactions contemplated thereunder having been approved by the shareholders of the Vendor;

(4) the Acquisition Agreement, the VIE Agreements and the transactions contemplated thereunder, and the appointment of new directors of the Target Company (of which three out of five will be appointed by the Purchaser) having been approved by the shareholders of the Target Company;

(5) the Target Company having executed (in a form satisfactory to the Purchaser) employment agreements of not less than three years, confidentiality agreements and non-competition agreements with their 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) the Purchaser having conducted legal, financial and business due diligence on the Target Company and being satisfied with the due diligence outcome;

(8) to the extent necessary, the Acquisition Agreement having been approved by the shareholders of the Purchaser, CSMall and China Silver pursuant to the respective articles of association of the Purchaser, CSMall and China Silver and the Listing Rules;

(9) the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares;

(10) on and before the Completion Date, there being no objection from the Stock Exchange in relation to the terms of the Acquisition Agreement and the transactions contemplated thereunder;

(11) the Purchaser having obtained a PRC legal opinion (in a form satisfactory to the Purchaser) as to, among other things, the legality, effectiveness and necessity of the control over the Target Company by CSMall (or its wholly-owned subsidiary in the PRC) through the VIE Agreements;

(12) the Vendor having transferred 84% direct equity interest in the Target Company to one or more individual(s) and/or entity(ies) designated by the Purchaser;

(13) as of the date of Completion, there not having been any actions taken, or any applicable laws proposed, enacted, enforced, promulgated or issued by any governmental authorities that would prohibit or delay (i) the payment of the Consideration; (ii) the execution of the VIE Agreements (and/or the change 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 the Purchaser intends to receive from the Acquisition; and

(14) the representations, warranties and undertakings of the Target Company, the Vendor and the actual controller of the Vendor contained in the Acquisition Agreement being true, accurate and not misleading as of the date of Completion.

Except for Conditions Precedent (1), (8), (9) and (10), the Purchaser may waive any of the Conditions Precedent. For the avoidance of doubt, the Vendor agrees that, except for Conditions Precedent (8), (9) and (10), the realization and fulfillment of the Conditions Precedent is the obligation and responsibility of the Target Company, the Vendor and Mr. Sun (being the Vendor's actual controller).

Completion

Completion shall take place on the fifth PRC business day (or a different day as may be agreed by the Purchaser and the Vendor) after the date on which all the Conditions Precedent have been fulfilled or waived (as the case may be).

THE VIE AGREEMENTS

Pursuant to the Acquisition Agreement, the Vendor and the Target Company have conditionally agreed to enter into the VIE Agreements. Upon Completion, the VIE Agreements will allow the Purchaser to consolidate the Target Company as a non-wholly-owned subsidiary and obtain 94% effective ownership in the Target Company.

Background and Reasons for the Use of the VIE Agreements

Various regulations in the PRC restrict foreign-invested enterprises from holding certain licenses required to operate business in relation to value-added telecommunication services.

Foreign investment activities in the PRC are subject to the restrictions as set forth in the Special Administrative Measures for Foreign Investment Access (Negative List) (2020 Version) (the "**2020 Negative List**"), which was promulgated and amended from time to time jointly by the National Development and Reform Commission of the PRC (the "**NDRC**") and Ministry of Commerce of the PRC (the "**MOFCOM**"), the latest version of which was released on June 23, 2020 and became effective on June 23, 2020. Foreign investment in industries which fall within the 2020 Negative List shall be subject to special administration measures as set forth therein.

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

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

Our PRC Legal Adviser is of the opinion that, even if the Purchaser, which is a wholly-foreign-owned enterprise ("**WFOE**") (as it is wholly owned by CSMall, which is incorporated under the laws of the Cayman Islands), plans to acquire only 50% or less of the equity interest, the application of an ICP License for the Acquisition would not be approved by the relevant competent approving regulatory authority due to policy reasons although an ICP License has rarely been granted to a Sino-foreign joint venture with even less than 50% foreign capital.

The relevant competent approving regulatory authority in relation to the issuance of license for telecommunication operations, had confirmed that for policy reasons, 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 telecommunication business, they will not approve such investment of 50% or less of the equity interest by a WFOE in the Target Company.

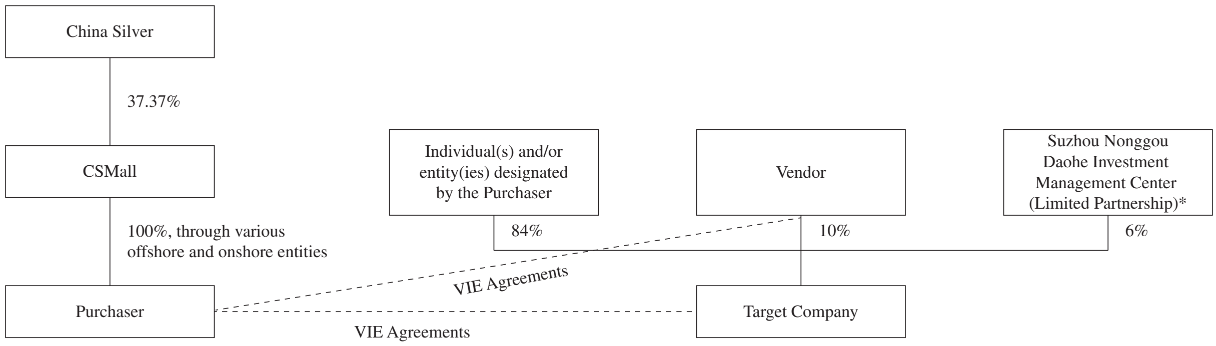
As such, in light of the foreign ownership restriction, in order for the Purchaser to control the Target Company and to obtain the 94% economic interest of the Target Company, the Purchaser, the Vendor and the Target Company will enter into the VIE Agreements. Upon Completion, the VIE Agreements will enable the financial results, 94% of the economic benefits, and the business risks of the Target Company, to flow into the Purchaser, and enable the Purchaser to gain control over the Target Company. As a result, CSMall will have a controlling equity interest in the Target Company via the VIE Agreements indirectly after the establishment of the VIE Agreements.

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

Details of the VIE Agreements

Overview

The following diagram sets forth the operation of the VIE Agreements upon Completion:



The principal terms of the VIE Agreements (which are subject to amendments as required by the Stock Exchange) are summarized as follows:

(1) Exclusive Option Agreement

Parties	(1) The Purchaser (2) The Vendor (3) The Target Company
Subject	The Vendor irrevocably grants the Purchaser an exclusive option to, at any time and from time to time, purchase or designate any individuals/entities to purchase, all or part of the equity interest in the Target Company, as permissible under PRC law, at the lower of either the permissible minimum price under PRC law or the corresponding capital contribution in the Target Company's registered share capital. The Vendor unconditionally and irrevocably undertakes to return the consideration it has received from the Purchaser in full if the Purchaser exercises the option to acquire the equity interest of the Target Company.

The Target Company irrevocably grants the Purchaser an option, at any time and from time to time, to purchase or designate any individuals/entities to purchase, all or part of the Target Company's assets.

The transfer price of the relevant assets shall be the minimum purchase price permitted under PRC law, and the Target Company undertakes that it will return in full the consideration received in relation to such transfer of assets to the Purchaser.

The Target Company undertakes (1) not to issue any dividend unless required to do so under relevant PRC laws; and (2) not to transfer or otherwise dispose any of its major assets (other than in the ordinary course of business) or create any security on its assets without the prior written consent of the Purchaser.

The Vendor undertakes (1) not to sell, transfer, pledge or otherwise dispose of all or any of its legal or beneficial interest in the Target Company; and (2) not to create any security on such interest without the prior consent of the Purchaser, except as permitted under Equity Pledge Agreement.

Term

The Exclusive Option Agreement shall terminate when all equity interest in and all assets of the Target Company have been transferred to the Purchaser and/or its other designated individual(s)/entity(ies) pursuant to the Exclusive Option Agreement.

(2) Exclusive Consultancy and Services Agreement

Parties	(1) The Purchaser (2) The Target Company
Subject	The Target Company engages the Purchaser on an exclusive basis to provide consultancy services, including solutions in relation to information technology, hardware and database management, maintenance and update, software development, to assist the Target Company in market research and information collection, to provide technological training to the Target Company, to assist the Target Company in building and perfecting its internal control and company structure, and other related technological consultancy services.
Service Fees	In consideration of the provision of services, the Target Company agrees to pay the Purchaser service fees in an amount equal to 94% of the Target Company's annual revenue, or an amount agreed by the parties. The Purchaser may also provide additional service as requested by the Target Company and the Target Company will separately pay a service fee agreed by the parties.
Term	Unless terminated (whether mutually terminated by the parties or pursuant to the applicable PRC laws and regulations), the Exclusive Consultancy and Services Agreement shall remain effective.

(3) Equity Pledge Agreement

Parties	(1) The Purchaser (2) The Vendor
Subject	The Vendor agrees to pledge all of its equity interest in the Target Company to the Purchaser to secure the contractual obligations of the Vendor and the Target Company and its obligation to repay its secured debts. The contractual obligations of the Vendor shall refer to all of its contractual obligations under the Exclusive Option Agreement, Shareholders' Voting Right Entrustment Agreement and this Equity Pledge Agreement. The contractual obligations of the Target Company shall refer to all of its contractual obligations under the Exclusive Option Agreement, the Shareholders' Voting Right Entrustment Agreement, and the Exclusive Consultancy and Services Agreement, and this Equity Pledge Agreement. The secured debts of the Target Company shall refer to any direct or indirect loss, resulting loss or loss of foreseeable interest that the Purchaser suffers as a result of the breach of either the Target Company or the Vendor, and such amount of loss shall include but is not limited to the Purchaser's reasonable commercial plan and profit forecast, and any costs the Purchaser incurs as a result of enforcing the contractual obligations of the Target Company and/or the Vendor.
Term	The Equity Pledge Agreement shall terminate upon the discharge of all contractual obligations or the secured debts having been fully paid.

(4) Shareholders' Voting Right Entrustment Agreement and Powers of Attorney

Parties	(1) The Purchaser (2) The Vendor
Subject	Pursuant to the Shareholders' Voting Right Entrustment Agreement and the Powers of Attorney annexed thereto, the Vendor irrevocably agrees to authorize any designated person by the Purchaser (including but not limited to, the Purchaser and the director of Purchaser's direct or indirect shareholder(s), or the successor of such director, or a liquidator replacing such director or the successor of such director) to exercise its rights and powers as shareholder of the Target Company, including but not limited to the rights (1) to vote in a shareholders' meeting; (2) to nominate and elect directors and senior management; (3) to vote to sell, transfer, pledge or dispose of all of parts of the shares in the Target Company; (4) to exercise all shareholder's voting rights under the article of associations of the Target Company (5) to execute any shareholders' meeting minutes; and (6) to file documents with relevant PRC governmental authority.
Term	The Shareholders' Voting Right Entrustment Agreement shall remain effective unless terminated by the parties. The Powers of Attorney shall remain effective until the Shareholders' Voting Right Entrustment Agreement is terminated.

Other Matters Under the VIE Agreements

Dispute resolution

The VIE Agreements stipulate that the parties shall negotiate in good faith to resolve the dispute in the event of any dispute with respect to the construction and performance of the provisions. In the event the parties fail to reach an agreement on the resolution of such a dispute within 30 days after any party's request for resolution of the dispute through negotiations, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission* (中國國際經濟貿易仲裁委員會) for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing and shall be conducted in Chinese. The arbitration ruling shall be final and binding on the parties.

Each of the VIE Agreements provides that (i) the arbitral tribunal may award remedies over the equity interest, assets or property interest of the Target Company, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the Target Company; and (ii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of CSMall) and other jurisdictions (being the place of domicile of the Target Company and where the principal assets of the Target Company and CSMall are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the shares or property interest of the Target Company.

Succession

All of the VIE Agreements contain a provision which states that the VIE Agreements are also binding on the successor of the parties of the VIE Agreements.

According to the Civil Code of the PRC* (《中華人民共和國民法典》), the statutory successors include the spouse, parents, children, brothers, sisters, paternal grandparents and the maternal grandparents.

During the period that the VIE Agreements are effective, any breach by the successors would be deemed to be a breach of the VIE Agreements. In case of a breach, the Purchaser can enforce its rights against the successors within the extent of the actual value of the assets that the successors inherited.

Liquidation, bankruptcy or death

Pursuant to the VIE Agreements and the Civil Code of the PRC* (《中華人民共和國民法典》), any successor of the Vendor shall inherit any and all rights and obligations of the Purchaser under the VIE Agreements as a result of their death, loss of capacity, marriage, divorce, bankruptcy or under other circumstances which would affect their exercise of equity interest in the Target Company, as if the successor was a signing party to such VIE Agreements.

All equity interest owned by the Vendor in the Target Company and will be pledged to the Vendor under the Equity Pledge Agreement to secure performance of obligation by the Vendor and the Target Company under the VIE Agreements. In case of any breach of such obligations, the Purchaser is entitled to enforce such pledge. Accordingly, in the event of a dissolution or liquidation of the Target Company, a liquidator may seize and deal with the assets which are attributable to the Vendor based on the VIE Agreements for the benefit of the Purchaser's shareholders or creditors.

Conflicts of interest

Pursuant to the Acquisition Agreement, the Vendor undertakes that, during the period that the VIE Agreements remain effective, (i) it shall not execute any documents with or make any undertaking to any third parties that may have conflicts of interests with any agreements entered into by the Purchaser or the Target Company; (ii) it shall not commit or shall avoid committing any act that may lead to any conflicts of interests between the Vendor and the Purchaser (including its shareholders); and (iii) in the event of the occurrence of a conflict of interests (where the Purchaser has the sole absolute discretion to determine whether such conflict arises), it shall take appropriate measures upon the consent of the Purchaser and its designee to eliminate such conflicts, failing which the Purchaser has the right to exercise the option under the Exclusive Option Agreement.

Pursuant to the Shareholders' Voting Right Entrustment Agreement, the powers of attorney shall not be granted to persons who are non-independent and may cause conflicts of interests. Where the Target Company's shareholders or actual controller are officers or directors of the direct or indirect shareholder(s) of the Purchaser, the powers of attorney should be granted in favour of other independent officers or directors of the direct or indirect shareholder(s) of the Purchaser or such officers or directors that will not cause conflicts of interests.

Loss sharing

As advised by our PRC Legal Adviser, none of the VIE Agreements provides that the Purchaser is obliged to share the losses of the Target Company or provide financial support to the Target Company. The Target Company is a company limited by shares, and the shareholders of the Target Company shall be liable to the extent of the shares they have subscribed for.

Insurance

The CSMall Group does not maintain an insurance policy to cover the risks relating to the VIE Agreements.

OPERATIONS IN COMPLIANCE WITH THE VIE AGREEMENTS

There are uncertainties with respect to the interpretation and implementation of the newly enacted PRC Foreign Investment Law* (《中華人民共和國外商投資法》) (the "**2019 FIL**"). As such, the CSMall Board will closely monitor the development of the 2019 FIL with the help of CSMall's PRC legal adviser, including but not limited to any new negative list issued by or approved to be issued by the State Council, or any future laws, administrative regulations or provisions prescribed by relevant governmental authorities. CSMall will then discuss with its PRC legal adviser in order to assess any possible impact arising from the development of the 2019 FIL on the VIE Agreements and the business operation of CSMall and the Target Company.

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

Effect and Legality of the VIE Agreements

The relevant competent approving regulatory authority in relation to the issuance of license for telecommunication operations, had confirmed that (1) 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 telecommunication business, for policy reasons, they will not approve such investment of 50% or less of the equity interest by a WFOE in the Target Company; and (2) 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 VIE Agreements with the Target Company and its shareholder, such VIE Agreements 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, our PRC Legal Adviser is of the following legal opinion:

(1) The 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 VIE Agreements, and all of the VIE Agreements taken as a whole, complies with the articles of association of the Purchaser and the Target Company;

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

(4) Each of the VIE Agreements have been duly authorized, executed and delivered by the parties thereto, all required government authorization in respect of the VIE Agreements have been duly obtained, and the VIE Agreements are legal, valid and binding on the parties thereto. Specifically, the related 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 VIE Agreements, and all of the VIE Agreements taken as a whole, would not be deemed as "concealing illegal intentions with a lawful form" and void under the PRC contract law.

The CSMall Board's and the China Silver Board's View on the VIE Agreements

Based on the above, the CSMall Board and the China Silver Board are of the view that the VIE Agreements are narrowly tailored to achieve the business purposes and to minimize the potential conflict with relevant PRC laws and regulations. The VIE Agreements will enable the Purchaser to gain control over the Target Company, and to be entitled to 94% of the economic interests and benefits of the Target Company. CSMall will unwind the VIE Agreements as soon as relevant PRC rules and regulations governing foreign investment in the operation of value-added telecommunications services are issued which allow CSMall or any of its wholly-owned subsidiaries to register itself as the shareholder of the Target Company.

To the best knowledge, information and belief of the CSMall Directors and the China Silver 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 VIE Agreements.

RISKS IN RELATION TO THE VIE AGREEMENTS

Uncertainties exist with respect to the interpretation and implementation of the newly enacted 2019 FIL and how it may impact the viability of the current corporate structure, VIE Agreements, corporate governance and business operations of the CSMall Group and the Target Company. If the PRC government finds that the VIE Agreements and/or the Target Company to operate certain businesses in the PRC through the VIE Agreements do not comply with PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, the CSMall Group could be subject to severe consequences and penalties, including the nullification of the VIE Agreements and forced relinquishment of the interests received through the VIE Agreements.

In March 2019, the National People's Congress promulgated the PRC Foreign Investment Law*(《中華人民共和國外商投資法》), or the 2019 FIL, which became effective on January 1, 2020 and replaced major existing laws and regulations governing foreign investment in the PRC. The 2019 FIL does not explicitly classify the VIE Structure as foreign investment.

However, given that the 2019 FIL is relatively new, uncertainties exist in relation to its interpretation and implementation. For instance, under the 2019 FIL, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in the PRC. Though it does not explicitly classify "variable interest entity" structure (the "**VIE structure**") as a form of foreign investment, there is no assurance that foreign investment via VIE structure would not be interpreted as a type of indirect foreign investment activities under the aforementioned definition of "foreign investment" in the future. In addition, the aforementioned definition of "foreign investment" contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for VIE structure as a form of foreign investment.

Although there is currently no indication that the VIE Agreements will be interfered or objected by any PRC regulatory authorities, our PRC Legal Adviser has advised that there is a possibility that the relevant PRC regulatory authorities may have different opinions on the interpretation of the relevant regulations and would not agree that the VIE Agreements comply with the current PRC Laws or those that may be adopted in future, and the authorities may deny the legality, validity and necessity of the VIE Agreements.

Under the Discussion Draft of the Proposed Foreign Investment Law*(中華人民共和國外國投資法(草案徵求意見稿))published by MOFCOM in January 2015 and the Explanation on the Draft PRC Foreign Investment Law*(關於中華人民共和國外國投資法(草案徵求意見稿)的說明)(collectively, the "**Draft PRC Foreign Investment Law**"), the regulation governing VIE structure would be amended to the effect that VIE controlled via contractual arrangements would be deemed as foreign invested enterprises, if they are ultimately "controlled" by foreign investors.

According to the second paragraph of Article 2 of the 2019 FIL, "foreign investment referred to in this law refers to the investment activities of foreign natural persons, enterprises or other organisations (hereinafter referred to as "foreign investors"), whether directly or indirectly, in the PRC, which includes the following situations: (1) foreign investors setting up foreign invested enterprises in the PRC whether alone or together with other investors; (2) foreign investors acquiring shares, equity interest, sharing in property or other similar rights and interests of Chinese domestic enterprises; (3) foreign investors investing in new projects in the PRC whether alone or together with other investors; and (4) other forms of investment prescribed by laws, administrative regulations or the State Council."* (the original text is "本法所稱外商投資，是指外國的自然人、企業或者其他組織（以下稱外國投資者）直接或者間接在中國境內進行的投資活動，包括下列情形：（一）外國投資者單獨或者與其他投資者共同在中國境內設立外商投資企業；（二）外國投資者取得中國境內企業的股份、股權、財產份額或者其他類似權益；（三）外國投資者單獨或者與其他投資者共同在中國境內投資新建項目；（四）法律、行政法規或者國務院規定的其他方式的投資。"). As regards the terms "directly or indirectly" in the foregoing provision and "other forms of investment" in item (4), there is no further detailed regulation whether in the 2019 FIL or other prevalent laws, regulations, or other regulatory documents.

The concepts of "actual control" and "contractual control" introduced in the Draft PRC Foreign Investment Law published in 2015 have been deleted in the formally promulgated 2019 FIL, and that contractual control arrangement is not included in the scope of foreign investment under regulation. Therefore, our PRC Legal Adviser is of the view that the formally promulgated 2019 FIL will not affect the legality and validity of the VIE Agreements, and that the VIE Agreements will be binding on the relevant contractual parties upon due execution.

In addition, the 2019 FIL further specifies that foreign investments shall be conducted in line with the negative list issued by or approved to be issued by the State Council. If a foreign invested enterprise or a foreign invested entity (the "**FIE**") proposes to conduct business in an industry subject to restrictions in the negative list, the FIE must meet certain conditions under the negative list before being established. It is uncertain whether the businesses operated by the Target Company from time to time will be or continue to be subject to the foreign investment restrictions under the negative list to be issued in future.

Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to the VIE Agreements, there will be substantial uncertainties as to whether such actions can be completed by CSMall and the Target Company in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance requirements could materially and adversely affect the current corporate structure and business operations of CSMall and the Target Company, as well as the ability of CSMall and the Target Company to be or continue to be engaged in businesses subject to the foreign investment restrictions.

The VIE Agreements, in the worst case scenario, may be regarded as invalid and illegal. As a result, the CSMall Group may be required to dispose of the business under the VIE Agreements and will lose rights to receive the economic benefits from the Target Company, such that the financial results of the Target Company would no longer be consolidated into the CSMall Group's financial results and CSMall will have to de-recognize assets and liabilities of the Target Company according to the relevant accounting standards.

The VIE Agreements may not be as effective in providing operational control as direct ownership and the Target Company or its shareholders may fail to perform their obligations under the VIE Agreements.

The VIE Agreements may not provide control as effective as direct ownership. Direct ownership would allow the CSMall Group to, for example, directly or indirectly exercise its right as a shareholder to effect changes in the board of directors of the Target Company, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level.

Under the VIE Agreements, the CSMall Group will have to rely on the Purchaser's rights under the VIE Agreements to effect changes in the management of the Target Company and make an impact on its business decision making, as opposed to exercising its rights directly as a shareholder. If the Target Company or the Vendor fail to perform their respective obligations under the VIE Agreements or refuse to cooperate, CSMall will face difficulties in effecting control over the Target Company through the VIE Agreements, which may adversely affect the beneficial interests of the CSMall Group. In addition, in that case the CSMall Group may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws which may be limited. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. Furthermore, uncertainties of the PRC legal system could impede the CSMall Group's ability to exercise the option to acquire ownership and subject us to substantial costs.

The exercise of the option to acquire the equity interest in the Target Company may be subject to substantial amount of costs and time.

In case the Purchaser exercises its option to acquire all or part of the equity interest in the Target Company under the Exclusive Option Agreement, such acquisition may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under the PRC laws. Further, a substantial amount of costs and time may be involved in transferring the ownership of the Target Company to the Purchaser or its designated individual(s) and/or entity(ies), which may have a material adverse impact on the CSMall Group's business, prospects and results of operation.

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

All the agreements which constitute the VIE Agreements are governed by PRC laws and all disputes will be submitted for arbitration, whose ruling will be final and binding. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit the CSMall Group's ability to enforce the VIE Agreements. In the event that the CSMall Group is unable to enforce the VIE Agreements, or if the CSMall Group suffers significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert control over the Target Company and benefit from the 94% effective ownership in the Target Company.

The VIE Agreements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the Target Company, injunctive relief and/or winding up of the Target Company. The VIE Agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, as advised by our PRC Legal Adviser, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Therefore, in the event of breach of any of the VIE Agreements by the Target Company or the Vendor, and if the CSMall Group is unable to enforce the VIE Agreements, the CSMall Group may not be able to obtain sufficient remedies in a timely manner, or the CSMall Group may not be able to exert control over the Target Company and benefit from the 94% effective ownership in the Target Company. Pursuant to the VIE Agreements, the Purchaser (or its designee) has the exclusive right to purchase all or any part of the equity interest in the Target Company from the Vendor for the lower of either the permissible minimum price under PRC Laws or the corresponding capital contribution in the Target Company's registered share capital. The equity interest transfer is subject to the approval from or filings with the MOFCOM and/or their local competent branches, which is outside of the CSMall Group's control.

The shareholders of the Target Company may have conflicts of interests with the CSMall Group, which may materially and adversely affect the CSMall Group's business and financial conditions.

The CSMall Group's control over the Target Company held by the Vendor is based upon the VIE Agreements with the Target Company and the Vendor. The Vendor may potentially have a conflict of interest with the CSMall Group, and it may potentially breach its agreements with the CSMall Group. Conflicts of interest may still arise when the interests of the Vendor do not align with those of the CSMall Group, and there is no assurance that the Vendor will act completely in the CSMall Group's interest or that the conflicts of interest will be resolved in the CSMall Group's favor in such situation. If the Vendor does not act completely in the CSMall Group's interests or the conflicts of interest between the CSMall Group and the Vendor are not resolved in the CSMall Group's favor, the CSMall Group's business and financial conditions may be materially and adversely affected.

In addition, the Vendor may breach or cause the Target Company to breach the VIE Agreements. If the Target Company or the Vendor breach their agreements with the CSMall Group or otherwise have disputes with the CSMall Group, the CSMall Group may have to initiate arbitration or other legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly distract the management's attention, adversely affect the CSMall Group's ability to control the Target Company and otherwise result in negative publicity and adversely affect the reputation of the CSMall Group. There is no assurance that the outcome of any such dispute or proceeding will be in the CSMall Group's favor.

The Purchaser bears as the primary beneficiary of the Target Company, financial support to the Target Company and potential exposure of the Target Company to losses.

As the primary beneficiary of the Target Company, the Purchaser will share both profit and loss of the Target Company. Equally, the Purchaser bears economic risks which may arise from difficulties in the operation of the Target Company's business. The Purchaser may have to provide financial support in the event of financial difficulty of the Target Company. Under these circumstances, the CSMall Group's financial results and financial position may be adversely affected by the worsening financial performance of the Target Company and the need to provide financial support to the Target Company.

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

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to challenge by the PRC tax authorities, additional taxes and interest may be imposed. The CSMall Group would be subject to adverse tax consequences if the PRC tax authorities were to determine that transactions under the VIE Agreements were not conducted on an arm's-length basis as the PRC tax authorities have the authority to make special tax adjustments on the Target Company's tax position. Such adjustments may adversely affect the CSMall Group by increasing Target Company's tax expenses without reducing the tax expenses of the Purchaser, subjecting the Target Company to late payment fees and other penalties for under-payment of taxes.

GENERAL INFORMATION

Information on the Purchaser, CSMall and China Silver

The Purchaser is a wholly-owned subsidiary of CSMall, and has not commenced business as at the date of this joint announcement.

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 subsidiary of China Silver.

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 following table sets forth the shareholding structure of CSMall (i) as at the date of this joint announcement; and (ii) immediately after the allotment and issue of the Consideration Shares, assuming that no new CSMall Shares other than the Consideration Shares will be allotted and issued in the interim:

Name of shareholder	**As at the date of this joint announcement**		**Immediately after the allotment and issue of the Consideration Shares**	
	Number of CSMall Shares	*Percentage shareholding*	*Number of CSMall Shares*	*Percentage shareholding*
China Silver	500,000,033	40.39%	500,000,033	37.37%
Blaze Loop Limited (trustee entity under CSMall's pre-IPO employee share scheme)	166,025,000	13.41%	166,025,000	12.41%
Ascend Delight Holdings Limited (trustee entity under CSMall's post-IPO employee share scheme)	84,287,040	6.81%	84,287,040	6.30%
Silver Apex Holdings Limited (wholly-owned by Mr. Chen He, a CSMall Director)	21,250,000	1.72%	21,250,000	1.59%
Treasure Delight International Limited (wholly-owned by Mr. Qian Pengcheng, a CSMall Director)	14,500,000	1.17%	14,500,000	1.09%
Mr. Yao Runxiong (strategic investor)	100,000,000	8.08%	100,000,000	7.47%
The Vendor	–	–	100,000,000	7.47%
Other shareholders	351,812,967	28.42%	351,812,967	26.30%
Total	1,237,875,040	100.00%	1,337,875,040	100.00%

Information on the Vendor

The Vendor 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, Mr. Sun is the actual controller of the Vendor, and the shareholding structure of the Vendor is as follows:

Name of shareholder	Percentage shareholding
Beijing Buruike Agriculture Information Technology Co., Ltd.* (北京布瑞克農信科技集團有限責任公司) (majority-controlled by Mr. Sun)	57.8852%
Suzhou Nonggou Daohe Investment Management Center (Limited Partnership)* (蘇州農購道合投資管理中心（有限合夥）) (majority-controlled by Mr. Sun)	19.9075%
Beijing Zhongke Zhiying Venture Capital Co., Ltd.* (北京中科智盈創業投資有限公司)	7.4749%
Shenzhen Tiangao Haikuo Technology Development Co., Ltd.* (深圳天高海闊科技發展有限公司)	3.7147%
Ningbo Zhonghai Growth Management Co., Ltd.* (寧波中海成長管理有限公司)	2.9242%
Zhuhai Hengqin Changce No.3 Equity Investment Enterprise (Limited Partnership)* (珠海横琴長策三號股權投資企業（有限合夥）)	1.9495%
Qingdao Changyang Investment Development Co., Ltd.* (青島昌陽投資開發有限公司)	1.7723%
Mr. Yang Qiaosheng* (楊巧生)	1.5440%
Foshan Changce No.1 Equity Investment Partnership (Limited Partnership)* (佛山長策一號股權投資合夥企業（有限合夥）)	0.8870%
Mr. Deng Li* (鄧力)	0.7737%
Suzhou Kaihao Investment Management Co., Ltd.* (蘇州凱浩投資管理有限公司)	0.7532%
Mr. Zhou Hongping* (周紅平)	0.2470%
Mr. Kou Xianghe* (寇祥河)	0.1668%
Total	100%

To the best of the CSMall Directors' and the China Silver Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor, Mr. Sun and the shareholders of the Vendor are third parties independent of CSMall and China Silver and their respective connected persons.

Information on the Target Company

The Target Company is a company incorporated in the PRC limited by shares. It operates in the businesses of software development, technology consultancy and training, and internet technology services. As at the date of this joint announcement, the Target Company is owned as to 94% by the Vendor and 6% by Suzhou Nonggou Daohe Investment Management Center (Limited Partnership)* (蘇州農購道合投資管理中心(有限合夥)).

Incorporated in 2015, the Target Company is the developer and operator of the "農牧人" ("Nongmuren", meaning farmers and herdsmen) platform, 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. With 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"), a complete operating system is formed 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.

According to the unaudited management accounts of the Target Group prepared on a consolidated basis in accordance with the PRC Generally Accepted Accounting Principles (PRC GAAP), the unaudited consolidated total assets and net assets of the Target Group as at 31 December 2020 amounted to RMB16,700,138.65 and RMB6,910,156.28 respectively; and the unaudited consolidated net profit before and after taxation of the Target Group for the financial years ended 31 December 2019 and 2020 was as follows:

	For the financial year ended 31 December 2019	**For the financial year ended 31 December 2020**
Net profit before taxation	RMB687,594.55	RMB1,189,354.66
Net profit after taxation	RMB687,594.55	RMB1,189,354.66

REASONS FOR AND BENEFITS OF THE ACQUISITION

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".

Leveraging on its established e-commerce platform and in view of the ongoing COVID-19 pandemic which has affected the consumption behaviour 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. Meanwhile, CSMall is highly supportive of the PRC national strategy of "rural revitalization" put forward by President Xi Jinping in 2017.

As further explained in the section headed "General Information – Information on the Target Company" above, the Target Group is committed to promoting the development of the PRC agricultural industry with its full suite of SaaS (software as a service) mobile apps. 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. With its technological capabilities, working capital as well as fundraising options as a listed company, CSMall will be able to support and accelerate the Target Group's growth after the Acquisition.

As further explained in the section headed "Accounting Treatment and Financial Impact" below, it is expected that the Target Company will be treated as a non-wholly-owned subsidiary of CSMall and accounted for as an associate of China Silver using the equity method upon Completion. On this basis, both CSMall and China Silver will be able to enjoy the fruits of the Target Group's success.

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

ACCOUNTING TREATMENT AND FINANCIAL IMPACT

Consolidation of the Target Company as a Non-wholly-owned Subsidiary of CSMall upon Completion

Upon Completion, the Target Company will become a non-wholly-owned (94%-owned) subsidiary of CSMall, and the Target Group's financial results, assets, liabilities and cash flows will be consolidated in CSMall's consolidated financial statements.

CSMall has confirmed with its auditors on the above accounting treatment conditional upon Completion and the execution of the VIE Agreements that are considered to be in compliance with existing PRC laws and regulations and are valid, binding and enforceable, and do not result in any violation of PRC laws or regulations currently in effect in all material aspects.

Deconsolidation of CSMall from China Silver

As at the date of this joint announcement, as CSMall is accounted for as a non-wholly-owned (approximately 40.39%-owned) subsidiary of China Silver, the CSMall Group's financial results, assets, liabilities and cash flows are consolidated in China Silver's consolidated financial statements, with approximately 59.61% of CSMall's profits or losses allocated to non-controlling interests and hence deducted from the profits or losses attributable to owners of China Silver.

On the other hand, following completion of the allotment and issue of the Consideration Shares, CSMall will be owned as to only approximately 37.37% by China Silver and is expected to be deconsolidated from China Silver and merely accounted for as an associate of China Silver using the equity method. As such, the CSMall Group's financial results, assets, liabilities and cash flows will no longer be consolidated in China Silver's consolidated financial statements, yet China Silver's approximately 37.37% share of the CSMall Group's post-tax profits or losses will be recognized as China Silver's income from investments accounted for using the equity method and hence effectively added back to the profits or losses attributable to owners of China Silver.

On the basis of the above and that the Target Company will become a non-wholly-owned subsidiary of CSMall, it is expected that the Target Company will be consolidated by CSMall and CSMall will be accounted for as an associate of China Silver using the equity method upon Completion.

Financial Impact of the Deemed Disposal

It is expected that the China Silver Group will record either a gain or a loss as a result of the Deemed Disposal, to be presented as "gain/(loss) on the deemed disposal of a major subsidiary" in the China Silver Group's consolidated statement of profit or loss and other comprehensive income. When the China Silver Group loses control of CSMall, the assets and liabilities of CSMall and non-controlling interests of CSMall are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill) and liabilities of CSMall attributable to the owners of China Silver. All amounts previously recognised in other comprehensive income in relation to CSMall are accounted for as if the China Silver Group had directly disposed of the related assets or liabilities of CSMall (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

LISTING RULES IMPLICATIONS

The Acquisition: Discloseable Transaction for Each of CSMall and China Silver

As the highest Applicable Percentage Ratio in respect of the Acquisition is 5% or more but is less than 25% for each of CSMall and China Silver, the Acquisition constitutes a discloseable transaction for each of CSMall and China Silver and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Deemed Disposal: Major Transaction for China Silver

Immediately after the allotment and issue of the Consideration Shares, the percentage shareholding of China Silver in CSMall will be diluted from approximately 40.39% to approximately 37.37%, which constitutes a Deemed Disposal of approximately 3.02% of China Silver's interest in CSMall under Rule 14.29 of the Listing Rules.

It is expected that CSMall will no longer remain a subsidiary of China Silver following completion of the allotment and issue of the Consideration Shares. Therefore, the Applicable Percentage Ratios in respect of the Deemed Disposal will be calculated in accordance with Rule 14.31 of the Listing Rules on the basis of 100% of CSMall's total assets, profits and revenue. As the highest Applicable Percentage Ratio in respect of the Deemed Disposal is 25% or more but is less than 75% for China Silver, the Deemed Disposal constitutes a major transaction of China Silver and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The VIE Agreements: Potential Continuing Connected Transactions for CSMall Upon Completion

The VIE Agreements will be entered into among the Purchaser, the Vendor and the Target Company upon Completion. Depending on the equity interest holding structure and board composition of the Vendor and the Target Company at and after Completion, each of the Vendor and the Target Company may, or may not, become a connected person of CSMall, which may, or may not, render the transactions contemplated under the VIE Agreements continuing connected transactions for CSMall.

CSMall will closely monitor the situation before and after Completion, and will comply with all applicable requirements under Chapter 14A of the Listing Rules and/or apply to the Stock Exchange from a waiver from strict compliance with certain of such requirements as necessary and when appropriate.

DISPATCH OF CIRCULAR TO SHAREHOLDERS OF CHINA SILVER

A circular containing, among other things, (i) further information regarding the Acquisition Agreement, the VIE Agreements and the Deemed Disposal; and (ii) a notice of the extraordinary general meeting to be convened and held by China Silver for its shareholders to approve the Acquisition and the Deemed Disposal, is expected to be dispatched to the shareholders of China Silver on or before 17 September 2021, being 15 Hong Kong business days after the date of this joint announcement.

As Completion is subject to the fulfillment or waiver (as the case may be) of the Conditions Precedent, the Acquisition may or may not proceed. Shareholders of China Silver and CSMall and potential investors are advised to exercise caution when dealing in the securities of China Silver and CSMall.

DEFINITIONS

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

"Acquisition"	the acquisition by the Purchaser of 94% effective ownership in the Target Company pursuant to the Acquisition Agreement and the VIE Agreements
"Acquisition Agreement"	the conditional acquisition agreement dated 29 August 2021 entered into between the Purchaser and the Vendor in relation to the Acquisition
"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

"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 Acquisition Agreement
"Conditions Precedent"	the conditions precedent to Completion as listed under the section headed "The Acquisition Agreement – Conditions Precedent" in this joint announcement
"Consideration"	the consideration of RMB94,000,000 (equivalent to approximately HK$112,867,000) pursuant to the Acquisition Agreement
"Consideration Shares"	the 100,000,000 new CSMall Shares (of a total par value of US$10,000) to be issued and allotted by CSMall to the Vendor to satisfy the Consideration
"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
"CSMall Director(s)"	director(s) of CSMall
"CSMall Group"	CSMall and its subsidiaries from time to time

"CSMall Share(s)"	ordinary share(s) of US$0.0001 each in the capital of CSMall
"Deemed Disposal"	the allotment and issue of the Consideration Shares as viewed under Rule 14.29 of the Listing Rules as a deemed disposal of part of China Silver's interest in CSMall
"General Mandate"	the general mandate granted to the CSMall Directors to exercise the power of CSMall to allot and issue a maximum of 247,575,008 new CSMall Shares (being 20% of the number of issued CSMall Shares as at 15 June 2021, the date of the annual general meeting of CSMall at which the general mandate was granted)
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Mr. Sun"	Mr. Sun Tong*（孫彤）, the actual controller of the Vendor
"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）
"Purchaser"	Shenzhen Guojintongbao Company Limited*（深圳國金通寶有限公司）, a company incorporated in PRC with limited liability, which is a wholly-owned subsidiary of CSMall and a non-wholly-owned subsidiary of China Silver
"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 PRC limited by shares
"Target Group"	the Target Company and its subsidiary(ies) from time to time
"US$"	United States dollar(s), the lawful currency of the United States of America
"Vendor"	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
"VIE Agreements"	a series of contracts to be entered into between the Purchaser, the Target Company and the Vendor, that will allow the Purchaser to exercise control over the operations of the Target Company and enjoy the economic benefits generated by the Target Company via the contractual arrangements, including the Exclusive Option Agreement, the Exclusive Consultancy and Services Agreement, the Equity Pledge Agreement, and the Shareholders' Voting Right Entrustment Agreement and Powers of Attorney
"%"	per cent

Notes:

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

2. Conversions of RMB into HK$ are made based on the exchange rate of HK$1 to RMB0.83284 for illustration purpose only. Such exchange rate is the HK$-RMB middle exchange rate published by the China Foreign Exchange Trade System*（中國外匯交易中心）under the authorization of the People's Bank of China*（中國人民銀行）on 27 August 2021.

3. Percentages in tables may not add up to 100% due to rounding.

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, 29 August 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. Fu Lui, Mr. Hu Qilin and Mr. Zhang Zuhui.