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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)



CSmall Group Limited
金猫银猫集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1815)

JOINT ANNOUNCEMENT

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF FRESH FOOD RETAIL SEGMENT

The China Silver Board and the CS Mall Board are pleased to jointly announce that, on 5 November 2024 (after trading hours), the Vendor (a wholly-owned subsidiary of CS Mall and a non-wholly-owned subsidiary of China Silver) and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 51% equity interest in the Target Company for the Consideration of RMB300,000.

The Target Company controls the operation of Jiangsu Nongmuren Structured Entities through the Nongmuren VIE Agreements, which allows the Vendor to enjoy 51% of the control over and economic benefits generated by Jiangsu Nongmuren. Jiangsu Nongmuren constitutes one of the CS Mall Group's two operating segments, namely the fresh food retail segment. Upon Completion, CS Mall will cease to hold any equity interest in the Target Company, and the members of the Target Group will cease to be subsidiaries of each of CS Mall and China Silver respectively.

As more than one of the Applicable Percentage Ratios in respect of the Disposal are 5% or more but less than 25% for CS Mall, the Disposal constitutes a discloseable transaction for CS Mall under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements thereunder.

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

INTRODUCTION

On 5 November 2024 (after trading hours), the Vendor and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 51% equity interest in the Target Company for a total Consideration of RMB300,000.

MAJOR TERMS OF THE EQUITY TRANSFER AGREEMENT

Date

5 November 2024 (after trading hours)

Parties

- (1) The Vendor
- (2) The Purchaser

To the best knowledge, information and belief of the China Silver Directors and CSMAll Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of China Silver, CSMAll and their respective connected persons.

Subject Matter

Pursuant to the Equity Transfer Agreement, the Vendor agreed to sell, and the Purchaser agreed to purchase, 51% equity interest in the Target Company for a total Consideration of RMB300,000.

Upon Completion, the Purchaser will enjoy all rights of an holder of 51% equity interest in the Target Company, and will assume obligations as an equity interest holder accordingly. CSMAll will cease to hold any equity interest in the Target Company, and the members of the Target Group will cease to be subsidiaries of each of CSMAll and China Silver respectively.

Consideration and Payment

The Consideration for the Disposal is RMB300,000.

The Consideration shall be paid in cash in one lump sum by wire transfer in RMB to the Vendor. It shall be paid within 10 days from the date of the Equity Transfer Agreement in full.

The Consideration was determined by the Vendor and the Purchaser after arm's length negotiation, taking into account, among other things, (i) the financial position of the Target Group, including the unaudited net liabilities value of the Target Group as at 30 June 2024 (as illustrated in the section headed "General Information – Information on the Target Company and the Target Group" below); (ii) the future business prospects and growth potential of the Target Group; and (iii) the factors further contained in the section headed "Reasons for and Benefits of the Disposal" below.

Conditions Precedent

The Vendor shall procure that, no later than Completion, the Nongmuren VIE Agreements shall be terminated, and the entire equity interest in Jiangsu Nongmuren shall be transferred by the current registered equity-holders to third party(ies) jointly designated by the Purchaser and Bric Suzhou.

The Purchaser shall procure that, no later than Completion, directors, supervisors, senior management, legal representatives, secretaries and other personnel of Jiangsu Nongmuren and its subsidiaries who are affiliated with the China Silver Group and the CSMall Group be replaced with individuals jointly designated by the Purchaser and Bric Suzhou.

Pursuant to the 2021 Investment Agreement, the Vendor shall fund the 2021 Capital Injection of RMB26,000,000 into Jiangsu Nongmuren and procure that the Designated Person, an individual designated to be an equity-holder of Jiangsu Nongmuren, subscribe for equity interest in Jiangsu Nongmuren. As of the date of this joint announcement, an Outstanding Capital Injection of RMB17,000,000 remains payable by the Designated Person. The Vendor shall procure that, no later than Completion, the Designated Person and Jiangsu Nongmuren enter into a waiver agreement such that the Outstanding Capital Injection would be waived by Jiangsu Nongmuren.

Completion

Completion shall take place upon the full payment of the Consideration and on the date on which the registration in relation to the change of shareholders of the Target Company with the relevant local bureau of industry and commerce is completed.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Company controls the operation of Jiangsu Nongmuren Structured Entities through the Nongmuren VIE Agreements, which allows the Vendor to enjoy 51% of the control over and economic benefits generated by Jiangsu Nongmuren. Jiangsu Nongmuren constitutes one of the CSMall Group's two operating segments, namely the fresh food retail segment.

Jiangsu Nongmuren is the developer and operator of the “農牧人” (“**Nongmuren**”, meaning farmers and herdsmen) S2B2C (supply chain to business to customer) platform, which provides branding and software as a service (“**SaaS**”) services to enterprises along the agricultural supply chain as well as small and medium-sized businesses in China.

After the China Silver Group and CSMall Group's investment into the Target Group since 2021, various factors unfavorable to the operation and development of the Jiangsu Nongmuren platform gradually emerged, including that (i) the meat market in China saw a downward trend in pork prices, and the overall pork consumption declined; and (ii) after the epidemic, the traditional fresh food model resumed, which affected the business of the Nongmuren platform that provides branding and SaaS services to enterprises along the agricultural supply chain, such that the value of the Jiangsu Nongmuren business model has diminished, with limited business prospects and growth potential remaining. In order for CSMall to focus its management's attention and their financial and manpower resources on CSMall's core businesses of jewellery and metals, and given the presence of a willing buyer, the China Silver Board and the CSMall Board have decided to dispose of the Target Group.

Taking into account the above reasons and the expected financial impact of the Disposal as set forth in the section headed “Financial Impact of the Disposal and Use of Proceeds” below, (i) the China Silver Board considers that the terms of the Disposal are fair and reasonable, and that the Disposal is in the interest of China Silver's shareholders as a whole; and (ii) the CSMall Board considers that the terms of the Disposal are fair and reasonable, and that the Disposal is in the interest of CSMall's shareholders as a whole.

FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

Subject to audit, it is currently expected that both China Silver and CSMall will record a gain of approximately RMB26,608,000 as a result of the Disposal, which is estimated as the Consideration (being RMB300,000) plus the Target Group's net liabilities value attributable to the China Silver Group and the CSMall Group (being RMB26,308,000 as at 30 June 2024).

The exact amount of the gain or loss on the Disposal to be recorded in the consolidated statement of profit or loss and other comprehensive income of the China Silver Group and the CSMall Group for the year ending 31 December 2024 respectively will be subject to audit, and will be calculated based on the Target Group's net liabilities value as at Completion and taking into account relevant costs and expenses, and therefore may vary from the aforesaid figures. CSMall intends to apply the net proceeds of the Disposal as general working capital of the CSMall Group.

GENERAL INFORMATION

Information on the Target Company and the Target Group

The Target Company is 51% owned by the Vendor, which is a wholly-owned subsidiary of CSMall and a non-wholly-owned subsidiary of China Silver. Hence, the Target Company is a non-wholly-owned subsidiary of each of China Silver and CSMall.

The Target Company has entered into the Nongmuren VIE Agreements with certain PRC nationals (including the Designated Person) to control Jiangsu Nongmuren Structured Entities, pursuant to which, the economic benefits and control of Jiangsu Nongmuren are transferred to the Target Company. Jiangsu Nongmuren and its subsidiaries are accounted for as consolidated structured entities of the Target Company as a result of the Nongmuren VIE Agreements. For a graphic illustration of the Target Group's corporate structure and further details of the Nongmuren VIE Agreements, please refer to pages 55 to 59 of CSMall's 2023 annual report and pages 55 to 58 of China Silver's 2023 annual report.

According to the unaudited consolidated management accounts of the Target Group prepared in accordance with International Financial Reporting Standards, the Target Group's revenue, gross profit as well as net loss before and after taxation (i.e. before and after income tax credit or expense) for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 are set forth as follows:

	For the year ended 31 December 2022 (RMB, approximate)	For the year ended 31 December 2023 (RMB, approximate)	For the six months ended 30 June 2024 (RMB, approximate)
Revenue	1,509,807,000	90,074,000	2,248,000
Gross profit	14,652,000	498,000	159,000
Net loss before taxation	17,111,000	26,968,000	15,985,000
Net loss after taxation	17,111,000	26,968,000	15,888,000

According to the aforesaid unaudited consolidated management accounts, the Target Group's total asset value and net liabilities value as at 30 June 2024 are approximately RMB43,618,000 and RMB39,125,000, respectively.

Information on the Purchaser

The Purchaser is a company incorporated in the PRC with limited liability, and is wholly-owned by Mr. Qu Rui (曲瑞). It is engaged in the sales of metal materials and metallic products.

Information on the Vendor and CSMall

The Vendor is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CSMall.

CSMall, together with its subsidiaries, is a leading integrated online and offline internet-based jewellery retailer in the PRC with two business segments, including (i) the new jewellery retail segment, i.e. design and sales of gold, silver, colored gemstones and gem-set and other jewellery products in the PRC; and (ii) the fresh food retail segment, i.e. the operations of the Target Group.

As at the date of this joint announcement, CSMall is owned as to approximately 40.39% by China Silver, which accounts for CSMall as its non-wholly-owned subsidiary.

Information on China Silver

China Silver, together with its subsidiaries, 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 and sale of silver ingots, palladium and other non-ferrous metals in the PRC; (ii) the new jewellery retail segment operated under CSMall; and (iii) the fresh food retail segment also operated under CSMall, i.e. the operations of the Target Group.

LISTING RULES IMPLICATIONS

As more than one of the Applicable Percentage Ratios in respect of the Disposal are 5% or more but less than 25% for CSMall, the Disposal constitutes a discloseable transaction for CSMall under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements thereunder.

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

DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this joint announcement shall have the following meanings:

“2021 Capital Injection”	the capital injection of RMB26,000,000 to be funded by the Vendor and injected into Jiangsu Nongmuren by the Designated Person, pursuant to the 2021 Investment Agreement
“2021 Investment Agreement”	the investment agreement dated 31 December 2021 entered into by the Vendor, Bric Suzhou and Jiangsu Nongmuren, among others, in relation to, among other things, the 2021 Capital Injection. For further details, please refer to the joint announcement published by China Silver and CSMall dated 31 December 2021
“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

“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, and a 46.06% shareholder of the Target Company as of the date of this joint announcement
“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), which is the controlling shareholder and holding company of CSMall
“China Silver Board”	the board of China Silver Directors
“China Silver Director(s)”	the director(s) of China Silver
“China Silver Group”	China Silver and its subsidiaries from time to time
“Completion”	the completion of the Disposal
“Consideration”	the consideration of RMB300,000 pursuant to the Equity Transfer Agreement
“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)”	the director(s) of CSMall
“CSMall Group”	CSMall and its subsidiaries from time to time
“Designated Person”	Mr. Lian Binbin (連斌斌), a PRC national and an employee of the CSMall Group, who currently holds 51% of the equity interest in Jiangsu Nongmuren

“Disposal”	the disposal of the 51% equity interest in the Target Company by the Vendor to the Purchaser pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 5 November 2024 entered into between the Vendor and the Purchaser in relation to the Disposal
“Jiangsu Nongmuren”	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
“Jiangsu Nongmuren Structured Entities”	Jiangsu Nongmuren and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Nongmuren VIE Agreements”	the series of contractual arrangements entered into between, among others, Target Company, Jiangsu Nongmuren and the Designated Person, pursuant to which the economic benefits and control of Jiangsu Nongmuren are transferred to Target Company
“Outstanding Capital Injection”	the outstanding amount of RMB17,000,000 which remains payable in respect of the 2021 Capital Injection. For further details, please refer to (i) Note 30 to CS Mall’s consolidated financial statements for the year ended 31 December 2023 on page 136 of CS Mall’s 2023 annual report; and (ii) Note 40 to China Silver’s consolidated financial statements for the year ended 31 December 2023 on page 150 of China Silver’s 2023 annual report

“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this joint announcement only, Taiwan, Hong Kong Special Administrative Region and Macau Special Administrative Region
“Purchaser”	Shanghai Xinding Metallic Materials Co., Ltd* (上海鑫鼎金屬材料有限公司), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	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
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Shenzhen Guojintongbao Company Limited* (深圳國金通寶有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CSMall and a non-wholly-owned subsidiary of China Silver
“%”	per cent

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, 5 November 2024

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.

* For identification purpose only