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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTION:
NEW FRAMEWORK PURCHASE AGREEMENT FOR
THE SOURCING OF SILVER INGOTS**

In preparation for the Listing in 2018, the Group entered into and subsequently renewed the Existing Framework Purchase Agreement with Longtianyong (a wholly-owned subsidiary of China Silver Group) in relation to the Group's sourcing of silver ingots and related raw materials from Longtianyong for the period from 13 March 2018 to 31 December 2020.

With 2020 soon coming to an end, the Group entered into the New Framework Purchase Agreement with Longtianyong on 16 November 2020 in relation to the Group's sourcing of silver ingots from Longtianyong for the period from 1 January 2021 to 31 December 2023.

The transactions contemplated under the New Framework Purchase Agreement constitute a non-exempt continuing connected transaction for the Company and are subject to the reporting, announcement, circular (including independent financial advice), Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company expects to convene and hold the EGM by the end of 2020 to seek the Independent Shareholders' approval for the New Framework Purchase Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending 31 December 2021, 2022 and 2023. A circular containing, among other things, the notice of the EGM is expected to be dispatched to the Shareholders on or before 7 December 2020.

INTRODUCTION

Reference is made to the section headed “Connected Transactions” on pages 175 to 178 of the Prospectus.

As disclosed in the Prospectus, in preparation for the Listing, Shenzhen Guoyintongbao and Jiangxi Jiyin (being wholly-owned subsidiaries of the Company) entered into the Existing Framework Purchase Agreement with Longtianyong (being a wholly-owned subsidiary of China Silver Group) on 19 February 2018 in relation to the Group’s sourcing of silver ingots and related raw materials from Longtianyong for the period from 13 March 2018 (being the date of the Listing) to 31 December 2019. The Existing Framework Purchase Agreement was renewed between Jiangxi Jiyin and Longtianyong on 1 January 2020 on the same terms for the period from 1 January 2020 to 31 December 2020.

As also disclosed in the Prospectus, in connection with the Listing, the Company applied for, and the Stock Exchange granted to the Company, a waiver from strict compliance with the announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules for the three years ended/ending 31 December 2018, 2019 and 2020, subject to certain conditions.

With the aforesaid three-year waiver period soon expiring, Jiangxi Jiyin entered into the New Framework Purchase Agreement with Longtianyong on 16 November 2020 in relation to the Group’s sourcing of silver ingots from Longtianyong for the period from 1 January 2021 to 31 December 2023.

Details of the New Framework Purchase Agreement and the transactions contemplated thereunder are set out in this announcement. The New Framework Purchase Agreement is conditional upon the approval by the Independent Shareholders at the EGM.

THE NEW FRAMEWORK PURCHASE AGREEMENT

Date

16 November 2020

Parties

- (1) Jiangxi Jiyin, as the purchaser
- (2) Longtianyong, as the supplier

Term

The New Framework Purchase Agreement will be effective during the period from 1 January 2021 to 31 December 2023.

Jiangxi Jiyin and Longtianyong may renew the New Framework Purchase Agreement through friendly negotiations, subject to compliance with the relevant requirements under the Listing Rules and all other applicable laws and regulations.

Subject Matter

Pursuant to the New Framework Purchase Agreement, Longtianyong agreed to supply, and Jiangxi Jiyin agreed to purchase, silver ingots to be used as raw materials for the manufacturing of silver products of the Group.

The New Framework Purchase Agreement is a framework agreement and it is envisaged that individual purchase orders will be entered into between Jiangxi Jiyin and Longtianyong from time to time. Each individual purchase order will set out the purchase price, quantity and details relevant to the purchases. The individual purchase orders may only contain provisions which are consistent with the principles, terms and conditions set out in the New Framework Purchase Agreement.

Condition Precedent

The New Framework Purchase Agreement is conditional upon the approval by the Independent Shareholders at the EGM.

Pricing Policy

The price for the silver ingots to be supplied by Longtianyong to Jiangxi Jiyin under the New Framework Purchase Agreement will be determined based on the prevailing market rates of silver ingots with reference to the market rates published by Shanghai Huatong and shall be no less favourable than the price that is available from independent suppliers for the same or comparable products.

Shanghai Huatong operates an integrated silver exchange platform which seeks to link together the national and international spot markets of silver so as to enhance the fairness and recognition of the prices quoted on the platform. Its official website, www.huatongsilver.com (formerly www.buyyin.com), has been one of the authoritative web portals for the silver industry in the PRC. The daily spot silver prices quoted by such website are the general reference prices for the silver industry in the PRC.

Historical Annual Caps and Transaction Amounts

The table below sets out the historical annual caps of the transactions contemplated under the Existing Framework Purchase Agreement for the three years ended/ending 31 December 2018, 2019 and 2020 as disclosed in the Prospectus:

	For the year ended/ending 31 December		
	2018	2019	2020
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Historical annual cap	420	500	550

The table below sets out the historical transaction amounts of the Group's sourcing of silver ingots and related raw materials from Longtianyong for the two years ended 31 December 2018 and 2019 and the eight months ended 31 August 2020:

	For the year ended 31 December		For the eight
	2018	2019	months ended
	<i>(RMB million)</i>	<i>(RMB million)</i>	31 August 2020
			<i>(RMB million)</i>
Historical transaction amount (approximately)	404	318	148

Proposed Annual Caps

The table below sets out the proposed annual caps of the transactions contemplated under the New Framework Purchase Agreement for the three years ending 31 December 2021, 2022 and 2023:

	For the year ending 31 December		
	2021	2022	2023
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Proposed annual cap	400	500	600

In determining the above proposed annual caps, the Directors have taken into account the following factors:

- (i) the revenue expected to be generated from the sale of silver and jewellery products by the Group;
- (ii) the estimated cost of the silver ingots to be procured by the Group;
- (iii) the percentage of silver ingots the Group expects to procure from Longtianyong;
- (iv) the negative impact on the retail industry caused by the COVID-19 pandemic in the short run;
- (v) the expected gradual recovery and bounce back of business growth of the Group from the impact caused by the COVID-19 pandemic in the long run; and
- (vi) a buffer for any possible increase in demand for the silver products of the Group due to unexpected market conditions.

REASONS FOR AND BENEFITS OF THE NEW FRAMEWORK PURCHASE AGREEMENT

The Group has access to independent suppliers of silver, being a commodity that is widely available in the market at comparable market prices and quality. As disclosed in the Prospectus, since April 2016, the Group has sourced silver ingots and related raw materials from Longtianyong at the prevailing market rates of silver ingots. The Directors believe that the purchase of silver ingots from Longtianyong would continue to benefit the Group for the following reasons:

- (i) the purchases from Longtianyong will be at competitive prices which will be no less favourable than those that Jiangxi Jiyin can obtain from independent third parties;
- (ii) the Directors consider that it is crucial for the Group to maintain stable and reliable sources of supply of silver ingots for the Group's existing and future production needs. In view of the Group's past experience in procuring silver ingots from Longtianyong since April 2016, the Directors are of the view that Longtianyong can effectively fulfil the Group's demands for silver ingots in terms of volume and quality in a timely manner;

- (iii) Longtianyong has provided favourable terms such as flexible and timely delivery schedule of silver ingots purchased by the Group; and
- (iv) the office premises, warehouses and silver processing workshops of Jiangxi Jiyin are situated in close proximity to the manufacturing facilities of Longtianyong. Due to such geographical proximity, the Group's procurement of silver ingots from Longtianyong can save transportation and logistics costs and can facilitate product returns or exchanges (if necessary).

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the New Framework Purchase Agreement will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms or better, and that the terms of the New Framework Purchase Agreement and the proposed annual caps of the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

Procurement Procedures

Jiangxi Jiyin's procurement department will seek quotations from at least two independent third parties offering the same or comparable products and the head of procurement department will evaluate the fairness and reasonableness of the price offered by Longtianyong and to decide if the price offered by Longtianyong is comparable to or more favourable than those offered by such independent third parties for the same or comparable products based on the quotations received.

After the head of procurement department chooses the supplier, the procurement department will contact the chosen supplier and will enter into purchase order(s) with the supplier. The procurement department will then apply internally for the necessary funding and will arrange the payment of the transaction amounts to the supplier. After receiving the silver ingots from the supplier, the procurement department will settle the outstanding balance of the transaction amounts (if any).

Other Internal Control Measures

The Company will report transactions under the New Framework Purchase Agreement with Longtianyong to the audit committee of the Company for its review (if necessary). Further, the independent non-executive Directors will review the transactions under the New Framework Purchase Agreement annually to check and confirm whether such transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the New Framework Purchase Agreement, and on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and will review and confirm whether such transactions have been entered into within the relevant annual caps. The Company will also engage its auditor to review such transactions annually pursuant to Rule 14A.56 of the Listing Rules.

As part of the general corporate governance measures adopted by the Company, the Board will monitor the internal control procedures put in place by the Company to ensure that they are adequate and effective and that the aforesaid transactions are conducted in accordance with the terms of the New Framework Purchase Agreement and the requirements under the Listing Rules.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Longtianyong is a wholly-owned subsidiary of China Silver Group, the immediate and ultimate holding company of the Company. China Silver Group is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Longtianyong is an associate of China Silver Group under Rule 14A.13(1) of the Listing Rules, and hence a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

The highest Applicable Percentage Ratio calculated with reference to the highest of the proposed annual caps for the three years ending 31 December 2021, 2022 and 2023 exceeds 5%. Therefore, the transactions contemplated under the New Framework Purchase Agreement constitute a non-exempt continuing connected transaction for the Company under the Listing Rules, and the New Framework Purchase Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending 31 December 2021, 2022 and 2023 are subject to the reporting, announcement, circular (including independent financial advice), Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company expects to convene and hold the EGM by the end of 2020 to seek the Independent Shareholders' approval for the New Framework Purchase Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending 31 December 2021, 2022 and 2023. Pursuant to Rule 14A.36 of the Listing Rules, all Shareholders with a material interest (other than by virtue of being a Shareholder) in the transactions contemplated under the New Framework Purchase Agreement are required to abstain from voting on the resolution to be proposed at the EGM for approving the aforesaid matters. China Silver Group (being the ultimate holding company of Longtianyong) and Mr. Chen Wantian (being a director and substantial shareholder of China Silver Group) will abstain from voting on such resolution.

The Company has established the Independent Board Committee to review, consider, recommend and advise the Independent Shareholders in respect of the aforesaid matters, and has appointed Messis Capital Limited (大有融資有限公司) as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the New Framework Purchase Agreement and the transactions contemplated thereunder; (ii) a letter of advice from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) the notice of the EGM, is expected to be dispatched to the Shareholders on or before 7 December 2020.

GENERAL INFORMATION

The Company and Jiangxi Ji Yin

The Company, together with its subsidiaries, is a leading integrated online and offline internet-based jewellery retailer in the PRC primarily engaged in the design and sale of gold, silver and jewellery products. As at the date of this announcement, the Company is owned as to approximately 40.39% by China Silver Group, which accounts for the Company as its non-wholly-owned subsidiary.

Jiangxi Ji Yin is a wholly-owned subsidiary of the Company (and hence a non-wholly-owned subsidiary of China Silver Group) primarily engaged in the processing and wholesale of precious metal products.

China Silver Group and Longtianyong

China Silver Group, 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, sale and trading of silver ingots, palladium and other non-ferrous metals; (ii) the new jewellery retail segment, i.e. the business of the Company; and (iii) the silver exchange segment, i.e. provision of a professional electronic platform and related services for the trading of silver ingots operated under Shanghai Huatong.

Longtianyong is a wholly-owned subsidiary of China Silver Group primarily engaged in the manufacture of silver, palladium and other non-ferrous metals for sale.

DEFINITIONS

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

“Applicable Percentage Ratio(s)”	the percentage ratio(s) defined under Rule 14.04(9) of the Listing Rules and modified under Rule 14A.78 of the Listing Rules, as applicable to the transactions contemplated under the New Framework Purchase Agreement
“Board”	the board of Directors
“China Silver Group”	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 holding company of the Company
“Company”	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)
“Director(s)”	the director(s) of the Company

“EGM”	an extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the New Framework Purchase Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending 31 December 2021, 2022 and 2023
“Existing Framework Purchase Agreement”	the framework purchase agreement entered by Shenzhen Guoyintongbao and Jiangxi Jiyin with Longtianyong on 19 February 2018 in relation to the sourcing of silver ingots and related raw materials from Longtianyong for the period from 13 March 2018 to 31 December 2019 (as renewed between Jiangxi Jiyin and Longtianyong on 1 January 2020 on the same terms for the period from 1 January 2020 to 31 December 2020)
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive directors of the Company formed to advise the Independent Shareholders in respect of the New Framework Purchase Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending 31 December 2021, 2022 and 2023
“Independent Financial Adviser”	Messis Capital Limited (大有融資有限公司), a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Framework Purchase Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending 31 December 2021, 2022 and 2023

“Independent Shareholders”	those Shareholders who do not have a material interest in the New Framework Purchase Agreement and the transactions contemplated thereunder and are hence not required to abstain from voting on the Shareholders’ resolution to be proposed at the EGM
“Jiangxi Jiyin”	Jiangxi Jiyin Company Limited* (江西吉銀實業有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company
“Listing”	the listing of the ordinary shares of the Company on the Main Board of the Stock Exchange on 13 March 2018
“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
“Longtianyong”	Jiangxi Longtianyong Nonferrous Metals Co., Ltd.* (江西龍天勇有色金屬有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of China Silver Group and hence a connected person of the Company
“New Framework Purchase Agreement”	the framework purchase agreement entered between Jiangxi Jiyin and Longtianyong on 16 November 2020 in relation to the sourcing of silver ingots from Longtianyong for the period from 1 January 2021 to 31 December 2023
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement only, Taiwan, Hong Kong Special Administrative Region and Macau Special Administrative Region
“Prospectus”	the prospectus dated 28 February 2018 published by the Company

“Shanghai Huatong”	Shanghai White Platinum & Silver Exchange* (上海華通鉑銀交易市場有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of China Silver Group
“Shareholder(s)”	holder(s) of ordinary share(s) of the Company
“Shenzhen Guoyintongbao”	Shenzhen Guoyintongbao Company Limited* (深圳國銀通寶有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
CSMall Group Limited
Chen He
Chairman

Hong Kong, 16 November 2020

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

* *For identification purpose only*