

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 31 October 2014, after trading hours of the Stock Exchange, the Company entered into the Subscription Agreements with each of the Subscribers pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, an aggregate of 180,000,000 Shares at the Subscription Price of HK\$1.51 per Subscription Share to be satisfied in cash.

The Subscription Shares represent approximately 19.86% of the existing issued share capital of the Company and approximately 16.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The net proceeds of the Subscription of approximately HK\$272 million will be applied for the expansion of the downstream silver retailing business, its potential upstream acquisition and general working capital. The Subscription will enhance the cash flow of the Company and enable the Company to generate general working capital to achieve its long-term expansion plan.

The Directors consider that the Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms of the Subscription Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription under the Subscription Agreements is subject to the fulfillment of the conditions set out in the Subscription Agreements, and it may or may not proceed. Potential investors and Shareholders are advised to exercise caution when dealing in the Shares.

THE SUBSCRIPTION

The Subscription Agreements

Date: 31 October 2014

Parties: (i) the Company; and
(ii) the Subscribers

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the Subscribers is an Independent Third Party and does not hold any Shares at the date of this announcement. Upon completion of the Subscription Agreements, the Subscribers will become Shareholders holding in aggregate approximately 16.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Shares

Pursuant to the Subscription Agreements, the Company has conditionally agreed to allot and issue and the Subscribers have conditionally agreed to subscribe in cash of HK\$271,800,000 for a total of 180,000,000 Subscription Shares at the Subscription Price of HK\$1.51 per Subscription Share. The 180,000,000 Subscription Shares represent approximately 19.86% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of Subscription Shares is HK\$1,800,000.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENTS

The principal terms of the Subscription Agreements are as follows:

Subscription Price and Payment

The Subscription Price of HK\$1.51 per Subscription Share represents:

- (i) a discount of approximately 17.03% to the closing price of HK\$1.82 per Share as quoted on the Stock Exchange on 31 October 2014, being the date of the Subscription Agreements;
- (ii) a discount of approximately 9.42% to the average closing price of HK\$1.67 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 31 October 2014;

The Subscribers shall pay the Subscription Price in cash in the manner below:

- (i) the Subscribers shall pay the first installment of the Subscription Price, being not less than 15% of the Subscription Price, to the Company within 5 Business Days from the date of the Subscription Agreements;
- (ii) the Subscribers shall pay the second installment of the Subscription Price, so that the aggregate payment for the Subscription Price shall not be less than 40% of the Subscription Price, to the Company within 10 Business Days from the date of the Subscription Agreements;

- (iii) the Subscribers shall pay the third installment of the Subscription Price, so that the aggregate payment for the Subscription Price shall not be less than 70% of the Subscription Price, to the Company within 15 Business Days from the date of the Subscription Agreements;
- (iv) the Subscribers shall pay the last installment of the Subscription Price to the Company within 20 Business Days from the date of this Agreement, so that the Subscription Price shall be fully settled.

The net Subscription Price, after deducting the relevant expenses (including but not limited to legal expenses and disbursements), is estimated to be approximately HK\$1.51 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to the liquidity and the average closing price of the Shares as stated in the daily quotations of the Stock Exchange for the 10 trading days immediately before signing of the Subscription Agreements. The Directors consider that the Subscription Price and the terms of the Subscription Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Condition of the Subscription

The Subscription is conditional on, among other things, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares. In the event that such condition of the Subscription is not fulfilled within 45 Business Days from the date of the Subscription Agreements, the Subscription Agreements shall terminate and neither the Company nor any of the Subscribers shall have any obligations and liabilities under the Subscription Agreements.

Completion of the Subscription

Completion of the Subscription will take place on the third Business Day after the condition of the Subscription is fulfilled (or such other date as may be agreed by the parties to the Subscription Agreements).

Lock-up period

Each of the Subscribers undertakes that he will not offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of any of the Subscription Shares for a period of six month from the date of the Subscription Agreements.

Appointment of non-executive director

Mr. Luo is entitled to nominate one non-executive director to the Board for as long as he remains a Shareholder holding not less than 100,000,000 Shares from time to time.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Subscription Shares.

General Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 181,237,200 Shares. As at the date of this announcement, no portion of the General Mandate was utilised prior to the entering into of the Subscription Agreements. The Company has not allotted and issued any Shares pursuant to the General Mandate previously and the General Mandate is sufficient for the issue and allotment of the Subscription Shares. As such, the issue of the Subscription Shares is not subject to further Shareholders' approval. The Company has not repurchased any Shares within the last 30 days prior to the date of this announcement.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

INFORMATION OF THE PARTIES

The Group is principally engaged in the manufacture of silver and other non-ferrous metals for sale in the PRC. In 2014, the Group expanded downstream to develop a silver retailing business and an integrated e-commerce platform (金銀貓 www.csmall.com).

The Subscribers are both veteran investors in mining and property development in the PRC.

Mr. Luo Shandong is the founder of Hunan Toener Investment Group Limited (湖南東能投資集團有限公司), a conglomerate engaged in mining and property development in the PRC. The conglomerate owns over ten precious metal and non-ferrous metal mines in the PRC and is engaged in property development including commercial and retail properties in over ten major cities such as Shenzhen, Chengdu, Wuhan, Changsha, etc. in the PRC. Mr Luo has over twenty years of corporate management experience.

Mr. Zhu Xiaolin is the founder and chief executive officer of Uni Global Power Pte. Ltd., a company focused in the investment of mining resources and property development in emerging market. Mr Zhu previously held senior positions in well-known Fortune 500 companies such as Motorola, Siemens and the New Hope Group. Mr Zhu is experienced in corporate management and has over ten years of experience in mining management, listing and capital market operation.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group's long-term strategic goals are to vertically integrate its upstream resources with its downstream silver retailing business and to build a leading e-commerce platform for silver, gold and jewellery products in the PRC. To achieve its goals, the Group plans to: (i) expand its product category from silver products to gold and other jewellery products; and (ii) acquire upstream precious metal mines if such opportunities arise.

Through effective vertical integration, the Group aims to better control its product quality, reduce intermediate costs and enhance its competitive advantage in product quality, costs and credibility.

The Subscription will enhance the cash flow of the Group and enable the Group to generate general working capital to achieve its long-term expansion plan as stated above.

The gross proceeds of the Subscription are approximately HK\$272 million. All the net proceeds of the Subscription of approximately HK\$272 million will be applied for the expansion of its downstream silver retailing business, its potential upstream acquisitions and general working capital.

The Directors consider that the Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms of the Subscription Agreements are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned. The Directors also consider that the Subscription will enhance the cashflow and broaden the capital base of the Company.

CHANGES IN SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as a result of the Subscription are as follows:

Shareholder	As at the date of this announcement and immediately before completion of the Subscription		Immediately after completion of the Subscription	
	Number of Shares	Approximate % of the Company's issued share capital	Number of Shares	Approximate % of the Company's issued share capital
Rich Union Enterprises Limited	397,080,000	43.82%	397,080,000	36.56%
Mr. Chen Wantian	397,080,000 (Note 1)	43.82%	397,080,000	36.56%
Best Conduct Investments Limited	96,360,000	10.63%	96,360,000	8.87%
Richwise Capital Group Ltd	96,360,000 (Note 2)	10.63%	96,360,000	8.87%
Mr. Shi Jinlei	96,360,000 (Note 2)	10.63%	96,360,000	8.87%
Easy Eight Limited	93,840,000	10.36%	93,840,000	8.64%
Mr. Wu Wenyong	93,840,000 (Note 3)	10.36%	93,840,000	8.64%
Subscribers:				
Mr. Luo Shandong	—	—	160,000,000	14.73%
Mr. Zhu Xiaolin	—	—	20,000,000	1.84%
Other public Shareholders	318,906,000	35.19%	318,906,000	29.36%
Total	906,186,000	100%	1,086,186,000	100%

Notes:

- (1) Mr. Chen Wantian owns 100% of the entire issued share capital of Rich Union Enterprises Limited.
- (2) Richwise Capital Group Ltd is deemed to be interested in the Shares owned by Best Conduct Investments Limited as the legal owner of the entire issued share capital of Best Conduct Investments Limited. Mr. Shi Jinlei owns 70% of the entire issued share capital of Richwise Capital Group Ltd.
- (3) Mr. Wu Wenyong owns 100% of the entire issued share capital of Easy Eight Limited.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately prior to the date of this announcement.

GENERAL

Completion of the Subscription under the Subscription Agreements is subject to the fulfillment of the conditions set out in the Subscription Agreements, and it may or may not proceed. Potential investors and Shareholders are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) when licensed banks in Hong Kong are generally open for business
“Company”	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
“Connected Person(s)”	has the meaning ascribed to this term in the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors to allot, issue and deal with up to 181,237,200 Shares at the annual general meeting of the Company held on 29 May 2014
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	independent third party(ies) who is(are) not Connected Person(s) of the Company and is(are) independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective Associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Luo”	Mr. Luo Shandong (羅山東), holder of PRC passport and an Independent Third Party

“Mr. Zhu”	Mr. Zhu Xiaolin (朱曉林), holder of PRC passport and an Independent Third Party
“PRC”	The People’s Republic of China
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	together, Mr. Luo and Mr. Zhu
“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the terms of the Subscription Agreements
“Subscription Agreements”	the two agreements dated 31 October 2014 and entered into between the Company and each of the Subscribers in respect of the Subscription
“Subscription Price”	the subscription price of HK\$1.51 per Subscription Share
“Subscription Shares”	an aggregate of 180,000,000 Shares to be subscribed by the Subscribers pursuant to the terms of the Subscription Agreements
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
China Silver Group Limited
Moy Yee Wo Matthew
Company Secretary

Hong Kong, 2 November 2014

As at the date of this announcement, the Board comprises Mr. Chen Wantian, Mr. Song Guosheng and Mr. Chen Guoyu as Executive Directors; Dr. Jiang Tao, Dr. Li Haitao and Dr. Zeng Yilong as Independent Non-executive Directors.