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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in China Silver Group Limited (the “Company”), you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee, or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

(1) PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE;
(2) PROPOSED REFRESHMENT OF OPTION SCHEME LIMIT;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



大有融資有限公司
MESSIS CAPITAL LIMITED

Notice of the extraordinary general meeting of the Company to be held at Regus Conference Center, 35/F, Central Plaza, 18 Harbour Road, Hong Kong on Monday, 9 November 2015 at 2:30 p.m. is set out on pages 21 to 24 of this circular. A form of proxy for the extraordinary general meeting is enclosed with this circular. Whether or not you are able to attend the extraordinary general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the extraordinary general meeting of the Company or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the extraordinary general meeting of the Company or any adjournment thereof (as the case may be) if you so wish and in such event the form of proxy shall be deemed to be revoked.

20 October 2015

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:—

“AGM”	the annual general meeting of the Company held on 21 April 2015 at which, among others, a resolution for the grant of the Existing General Mandate to the Directors was duly passed by the Shareholders
“associates”	shall have the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Silver Group Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on Monday, 9 November 2015 at 2:30 p.m. for the purpose of considering and, if thought fit, approving (i) the Refreshment of Existing General Mandate; and (ii) the Refreshment of Option Scheme Limit
“Existing General Mandate”	the general mandate granted to the Directors at the AGM to allot, issue and deal with a maximum of 217,957,200 Shares, representing 20% of the then issued share capital of the Company as at the date of AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, to advise the Independent Shareholders in respect of the Refreshment of Existing General Mandate

DEFINITIONS

“Independent Financial Adviser”	Messis Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities 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 Refreshment of Existing General Mandate
“Independent Shareholders”	any Shareholders other than the controlling shareholders of the Company and their associates or, if there are no controlling shareholders, any Shareholders other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Latest Practicable Date”	14 October 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New General Mandate”	the general mandate proposed to be granted to the Directors at the EGM to allot, issue and deal with additional Shares not exceeding 20% of the issued share capital of the Company as at the date of EGM
“Option Scheme Limit”	the maximum number of Shares which may be allotted and issued upon the exercise of all Share Options granted under the Share Option Scheme which initially shall not in aggregate exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme and thereafter, if refreshed shall not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshed limit by the Shareholders
“Refreshment of Existing General Mandate”	the proposed refreshment of the Existing General Mandate by way of granting of the New General Mandate
“Refreshment of Option Scheme Limit”	the proposed refreshment of the Option Scheme Limit
“Share Option(s)”	the share options granted under the Share Option Scheme

DEFINITIONS

“Share Option Scheme”	the share option scheme adopted by the Company on 21 April 2015
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. CHEN Wantian (*Chairman*)
Mr. SUNG Kin Man (*Chief Executive Officer*)
Mr. SONG Guosheng
Mr. CHEN Guoyu

Registered Office:

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent Non-executive Directors:

Mr. GUO Bin
Dr. JIANG Tao
Dr. LI Haitao
Dr. ZENG Yilong

*Head Office and Principal Place
of Business in Hong Kong:*

Unit 2602, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

20 October 2015

To the Shareholders,

Dear Sir or Madam,

- (1) PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE;
(2) PROPOSED REFRESHMENT OF OPTION SCHEME LIMIT;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with the information relating to (i) the proposed Refreshment of Existing General Mandate; (ii) the proposed Refreshment of the Option Scheme Limit; (iii) a letter from the Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) the notice of EGM.

LETTER FROM THE BOARD

PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE

Background of the Existing General Mandate

At the AGM, the Shareholders passed, among other things, an ordinary resolution for granting the Directors the Existing General Mandate to issue, allot and deal with not more than 217,957,200 Shares, representing 20% of 1,089,786,000 Shares in issue as at the date of passing such ordinary resolution at the AGM.

Reference is made to the announcements of the Company dated 8 May 2015, 13 May 2015 and 22 May 2015 in relation to the placing of existing Shares and top-up subscription of new shares under the Existing General Mandate. On 8 May 2015, the Company and the vendor entered into a placing agreement with SBI China Capital Financial Services Limited (“SBI”) pursuant to which the vendor appointed SBI as its agent to procure not less than six placees to subscribe up to 200,000,000 existing Shares at a price of HK\$2.64 per Share on a best effort basis. The placing of existing Shares was completed on 13 May 2015 and the top-up subscription of new Shares was completed on 22 May 2015.

Reference is made to the announcements of the Company dated 27 May 2015 and 3 June 2015 in relation to the placing of new Shares under the Existing General Mandate. On 26 May 2015, the Company entered into a placing agreement with CCB International Capital Limited (“CCBI”) pursuant to which the Company appointed CCBI as its agent to procure placees to subscribe up to 17,956,000 new Shares at a price of HK\$4.25 per Share on a best effort basis. The placing of new Shares was completed on 3 June 2015.

As such, as at the Latest Practicable Date, the Existing General Mandate had been utilized as to 217,956,000 Shares, representing approximately 100.00% of the aggregate number of Shares which were allowed to be allotted, issued and dealt with under the Existing General Mandate.

Proposed Refreshment of Existing General Mandate

The EGM will be convened and held at which an ordinary resolution will be proposed to the Independent Shareholders that the Directors will be granted the New General Mandate to allot, issue and deal with the Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the EGM.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had a total of 1,320,596,589 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the New General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company would be allowed to allot and issue up to 264,119,317 Shares, representing 20% of the issued share capital of the Company as at the Latest Practicable Date.

The New General Mandate, if granted, will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next general meeting of the Company is required to be held by the Company's articles of association or any applicable laws; and (c) the date upon which the authority is revoked or varied by way of ordinary resolution of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

Reasons for the Refreshment of Existing General Mandate

As disclosed in the sub-section headed "Background of the Existing General Mandate" above, the Existing General Mandate had been almost fully utilized by the Company. As at the Latest Practicable Date, the Company may issue up to only 1,200 Shares under the Existing General Mandate. The Company has not refreshed the Existing General Mandate since the AGM and up to the Latest Practicable Date.

As at the Latest Practicable Date, save for those as previously announced by the Company, the Company has no other plans or negotiations in relation to other new investment opportunities and/or acquisition.

As at the Latest Practicable Date, the Company has no current plan to utilize the New General Mandate. As advised by the Company, the unaudited bank balance and cash of the Group was approximately HK\$1,089 million as at 31 August 2015. The outstanding borrowings of the Group was approximately HK\$183 million as at 31 August 2015.

The Board considers that maintaining financial flexibility of the Group is conducive to its future business development and investment. Taking into account that (i) the Existing General Mandate has been almost fully utilized; (ii) the next annual general meeting of the Company is only expected to be held in about April 2016, which is around six months away from the Latest Practicable Date; (iii) the Refreshment of Existing General Mandate will provide an alternative to increase amount of capital which may be raised under the New General Mandate; and (iv) the Refreshment of Existing General Mandate provide more flexibility and options of financing to the Group for future investments and business development as and when it arises. Accordingly, the Board considers that the Refreshment of Existing General Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Change in shareholding structure of the Company

For illustration purpose only, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilization of the New General Mandate (assuming no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM):

	As at the Latest Practicable Date		Upon full utilization of the New General Mandate	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Mr. Chen Wantian (<i>Note</i>)	406,772,187	30.80	406,772,187	25.67
Mr. Song Guosheng	456,797	0.03	456,797	0.03
Maximum number of new Shares to be issued pursuant to the New General Mandate if granted	–	–	264,119,317	16.67
Public Shareholders	<u>913,367,605</u>	<u>69.17</u>	<u>913,367,605</u>	<u>57.63</u>
Total	<u><u>1,320,596,589</u></u>	<u><u>100.00</u></u>	<u><u>1,584,715,906</u></u>	<u><u>100.00</u></u>

Note: Mr. Chen Wantian, an executive Director and Chairman of the Company, is deemed to be interested in 405,722,187 Shares owned by Rich Union Enterprises Limited as the legal owner of the entire issued share of Rich Union Enterprises Limited and is personally interested in 1,050,000 Shares.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

Set out below is the fund raising activities of the Company during the past twelve months immediately prior to the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
2 November 2014 and 2 January 2015	Issue of 180,000,000 new Shares at HK\$1.51 each by way of subscription	Approximately HK\$272 million	All the net proceeds will be applied for the expansion of the Company's downstream silver retailing business, its potential upstream acquisitions and general working capital	Approximately 80% had been utilized for the expansion of the Company's downstream silver retailing business; and approximately 20% for general working capital
8 May 2015, 13 May 2015 and 22 May 2015	Placing of 200,000,000 existing Shares and subscription of 200,000,000 new Shares at HK\$2.64 each	Approximately HK\$512 million	Approximately 30% of the net proceeds will be applied for the expansion of the Company's downstream silver retailing business, approximately 30% for the development of commodity trading platforms and related services and approximately 40% for general working capital and other potential investments	Approximately 25% had been utilized for the expansion of the Company's downstream silver retailing business, approximately 5% for the development of commodity trading platforms and related services, approximately 35% for general working capital and other potential investments; approximately 35% (which are kept as bank deposits in the PRC/Hong Kong) remained unutilized and will be used as intended
27 May 2015 and 3 June 2015	Placing of 17,956,000 new Shares at HK\$4.25 each	Approximately HK\$74 million	The net proceeds will be applied for general working capital and other potential investments	The entire amount (which is kept as bank deposits in Hong Kong) remained unutilized and will be used as intended

LETTER FROM THE BOARD

PROPOSED REFRESHMENT OF OPTION SCHEME LIMIT

Under the Listing Rules, the maximum number of Shares which may be allotted and issued upon the exercise of all Share Options granted under the Share Option Scheme shall not initially in aggregate exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme and thereafter, if refreshed shall not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshed limit by the Shareholders. Any Share Options previously granted under the Share Option Scheme or any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Limit as refreshed.

The Share Option Scheme was adopted on 21 April 2015. Based on 1,089,786,000 Shares in issue at the annual general meeting of the Company held on 21 April 2015, the maximum number of new Shares allowed to be issued under the Share Option Scheme and any other share option schemes of the Company will be 108,978,600 new Shares, being 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme on 21 April 2015. Save for the share option scheme adopted by the Company on 5 December 2012, as at the Latest Practicable Date, the Company does not have any other share option scheme involving the issue of Shares.

During the period from 21 April 2015 to the Latest Practicable Date, the Company granted 108,000,000 Share Options which entitle the holders thereof to subscribe for 108,000,000 Shares, representing approximately 8.18% of the issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had a total of 1,320,596,589 Shares in issue. Unless the Option Scheme Limit is refreshed, only 978,600 Shares may be issued pursuant to the grant of the Share Options under the Share Option Scheme, representing approximately 0.07% of the issued share capital of the Company as at the Latest Practicable Date.

Subject to the passing of the ordinary resolution for the approval of the Refreshment of Option Scheme Limit and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the maximum number of Shares which may be issued upon the exercise of all the share options to be granted under the Share Option Scheme under the Option Scheme Limit as refreshed should be 132,059,658 Shares, representing 10% of the issued share capital of the Company as at the Latest Practicable Date.

Pursuant to the terms of the Share Option Scheme and in accordance with Chapter 17 of the Listing Rules, the Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the Shares in issue from time to time. No share options shall be granted under any scheme(s) of the Company if this will result in the 30% limit being exceeded.

LETTER FROM THE BOARD

The Board considers that the Refreshment of Option Scheme Limit is in the interests of the Company and the Shareholders as a whole as it enables the Company to reward and motivate its employees and other selected participants under the Share Option Scheme. The Refreshment of Option Scheme Limit is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Refreshment of Option Scheme Limit; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares to be issued pursuant to the exercise of the Share Options granted under the refreshed Option Scheme Limit not exceeding 10% of the number of Shares in issue as at the date of approval by the Shareholders.

Application will be made to the Stock Exchange for the listing of, and permission to deal in the Shares, representing 10% of the issued share capital of the Company as at the date of the EGM, which may fall to be issued upon the exercise of the Share Options that may be granted under the refreshed Option Scheme Limit.

THE LISTING RULES IMPLICATIONS

Pursuant to Rule 13.36(4)(a) of the Listing Rules, any controlling shareholders of the Company and their respective associates, or where there are no controlling shareholders of the Company, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions on the Refreshment of Existing General Mandate to be proposed at the EGM.

Accordingly, Rich Union Enterprises Limited, the controlling shareholder of the Company, together with its associates which are in aggregate interested in 406,772,187 Shares, representing approximately 30.80% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolution to approve the Refreshment of Existing General Mandate to be proposed at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established to advise the Independent Shareholders on the Refreshment of Existing General Mandate. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened and held to consider and, if thought fit, pass the ordinary resolutions to approve (i) the Refreshment of Existing General Mandate; and (ii) the Refreshment of Option Scheme Limit.

LETTER FROM THE BOARD

A notice convening the EGM to be held at Regus Conference Center, 35/F, Central Plaza, 18 Harbour Road, Hong Kong on Monday, 9 November 2015 at 2:30 p.m. is set out on pages 21 to 24 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the extraordinary general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the extraordinary general meeting of the Company or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the extraordinary general meeting of the Company or any adjournment thereof if you so wish.

The ordinary resolutions to approve (i) the Refreshment of Existing General Mandate; and (ii) the Refreshment of Option Scheme Limit at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

RECOMMENDATION

The Board considers that (i) the Refreshment of Existing General Mandate; and (ii) the Refreshment of Option Scheme Limit are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM. Your attention is drawn to the letter from the Independent Board Committee as set out on page 12 of this circular which contains its recommendation to the Independent Shareholders in relation to the Refreshment of Existing General Mandate. Your attention is also drawn to the letter from the Independent Financial Adviser as set out on pages 13 to 20 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Refreshment of Existing General Mandate and the principal factors and reasons it has taken into account in arriving at its recommendation.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

By order of the Board
China Silver Group Limited
Sung Kin Man
Chief Executive Officer and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

20 October 2015

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE

We refer to the circular from the Company to the Shareholders dated 20 October 2015 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders in connection with the Refreshment of Existing General Mandate and to advise the Independent Shareholders as to the fairness and reasonableness of the aforesaid matter and to recommend how the Independent Shareholders should vote at the EGM in respect of the aforesaid matter. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 13 to 20 of the Circular. Your attention is also drawn to the “Letter from the Board” as set out on pages 4 to 11 of the Circular.

Having taken into account the advice of the Independent Financial Adviser, in particular the principal factors, reasons and recommendation as set out in their letter, we consider that the Refreshment of Existing General Mandate is fair and reasonable so far as the Company and the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to approve the Refreshment of Existing General Mandate at the EGM.

Yours faithfully,
For and on behalf of the Independent Board Committee of
China Silver Group Limited

Mr. Guo Bin

Dr. Jiang Tao

Dr. Li Haitao

Dr. Zeng Yilong

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



大有融資有限公司
MESSIS CAPITAL LIMITED

20 October 2015

*To: The Independent Board Committee and the Independent Shareholders of
China Silver Group Limited*

Dear Sir/Madam,

PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the proposed Refreshment of Existing General Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 20 October 2015 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As the Refreshment of Existing General Mandate is proposed to the Shareholders before the Company’s next annual general meeting, pursuant to the Listing Rules, it is subject to the Independent Shareholders’ approval by way of poll at the EGM.

According to Rule 13.36(4) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution to approve the grant of the New General Mandate. Accordingly, Rich Union Enterprises Limited, the controlling shareholder of the Company, together with its associate which are in aggregate interested in 406,772,187 Shares, representing approximately 30.80% of the issued share capital of the Company as at the Latest Practicable Date, together with its associates, will abstain from voting on the resolution to approve the Refreshment of Existing General Mandate to be proposed at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Guo Bin, Dr. Jiang Tao, Dr. Li Haitao and Dr. Zeng Yilong, has been established to advise the Independent Shareholders on the Refreshment of Existing General Mandate. We, MESSIS Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

In the last two years, we have not acted as a financial adviser or an independent financial adviser in respect of the Company's other transactions. As at the Latest Practicable Date, other than this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the proposed Refreshment of Existing General Mandate, we did not have any other relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. For the purpose of Rule 13.84 of the Listing Rules, we are independent of the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Refreshment of Existing General Mandate, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, were true and accurate at the time when they were provided and continue to be so as at the date of the EGM and that all expectations and intentions of the Directors and management of the Company and its subsidiaries will be met or carried out as the case may be. We have also assumed that all statements of belief, opinion and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Directors and the management of the Company. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Refreshment of Existing General Mandate, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Refreshment of Existing General Mandate, we have taken the following principal factors and reasons into consideration:

1. Background of and reason for the Refreshment of Existing General Mandate

The Group is principally engaged in the manufacture of silver and other non-ferrous metals for sales and retailing of silver products in the PRC.

As at the Latest Practicable Date, the Company had a total of 1,320,596,589 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the grant of the New General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company would be allowed to allot and issue up to 264,119,317 Shares under the New General Mandate, representing 20% of the issued share capital of the Company as at the Latest Practicable Date.

At the AGM, the Shareholders passed, among other things, an ordinary resolution for granting the Directors the Existing General Mandate to issue, allot and otherwise deal with not more than 217,957,200 Shares, representing 20% of the 1,089,786,000 Shares in issue on the date of passing such ordinary resolution at the AGM.

Reference is made to the announcements of the Company dated 8 May 2015, 13 May 2015 and 22 May 2015 in relation to the placing of existing Shares and top-up subscription of new shares under the Existing General Mandate. On 8 May 2015, the Company and the Rich Union Enterprises Limited (as the vender) entered into a placing agreement with SBI China Capital Financial Services Limited (“SBI”) pursuant to which the vendor appointed SBI as its agent to procure not less than six placees to subscribe up to 200,000,000 Shares at a price of HK\$2.64 per Share on a best effort basis. The placing of existing Shares was completed on 13 May 2015 and the top-up subscription of new Shares was completed on 22 May 2015.

Reference is also made to the announcements of the Company dated 27 May 2015 and 3 June 2015 in relation to the placing of new Shares under the Existing General Mandate. On 26 May 2015, the Company entered into a placing agreement with CCB International Capital Limited (“CCBI”) pursuant to which the Company appointed CCBI as its agent to procure placees to subscribe up to 17,956,000 new Shares at a price of HK\$4.25 per Share on a best effort basis. The placing of new Shares was completed on 3 June 2015.

As such, as at the Latest Practicable Date, the Existing General Mandate had been utilized as to 217,956,000 Shares, representing approximately 100.00% of the aggregate number of Shares which were allowed to be allotted, issued and dealt with under the Existing General Mandate.

The Existing General Mandate had been almost fully utilised by the Company. As at the Latest Practicable Date, the Company may issue up to only 1,200 Shares under the Existing General Mandate. The Company has not refreshed the Existing General Mandate since the AGM and up to the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the management of the Company, the next annual general meeting is expected to be held in about April 2016, which is approximately six months away from the Latest Practicable Date. The Board considers that maintaining financial flexibility of the Group is conducive to its future business development and investment and proposes to seek the Refreshment of Existing General Mandate for the Directors to allot, issue and deal with additional Shares not exceeding 20% of the issued share capital of the Company at the EGM. As at the Latest Practicable Date, the Company has no current plan to utilize the New General Mandate.

Having considered that (i) only 1,200 Shares remained issuable under the Existing General Mandate as the Latest Practicable Date; (ii) the next annual general meeting is expected to be held in about April 2016, which is approximately six months away from the Latest Practicable Date; (iii) the Refreshment of Existing General Mandate, if granted, will allow the Company to maintain flexibility to raise funds for its future investments and business development as and when it arises; and (iv) the New General Mandate, if exercised, would strengthen the capital base and financial position of the Company, we are of the view that the Refreshment of Existing General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. Fund raising activities of the Company in the past twelve months immediately prior to the Latest Practicable Date

The following table summarises the fund raising activities of the Company in the past twelve months immediately prior to the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
2 November 2014 and 2 January 2015	Issue of 180,000,000 new Shares at HK\$1.51 each by way of subscription	Approximately HK\$272 million	All the net proceeds will be applied for the expansion of the Company's downstream silver retailing business, its potential upstream acquisitions and general working capital	Approximately 80% had been utilised for the expansion of the Company's downstream silver retailing business; and approximately 20% for general working capital

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
8 May 2015, 13 May 2015 and 22 May 2015	Placing of 200,000,000 existing Shares and subscription of 200,000,000 new Shares at HK\$2.64 each	Approximately HK\$512 million	Approximately 30% of the net proceeds for the expansion of the Company's downstream silver retailing business, approximately 30% for the development of commodity trading platforms and related services and approximately 40% of the net proceeds for general working capital and other potential investments	Approximately 25% had been utilized for the expansion of the Company's downstream silver retailing business, approximately 5% for the development of commodity trading platforms and related services, approximately 35% for general working capital and other potential investments; approximately 35% (which are kept as bank deposits in the PRC/Hong Kong) remained unutilized and will be used as intended
27 May 2015 and 3 June 2015	Placing of 17,956,000 new Shares at HK\$4.25 each	Approximately HK\$74 million	The net proceeds will be applied for general working capital and other potential investments	The entire amount (which is kept as bank deposit in Hong Kong) remained unutilized and will be used as intended

We note that a substantial portion of the proceeds raised from the Company's recent fund raising activities remained unutilized as at the Latest Practicable Date. We further note from the Company's interim report for the six months ended 30 June 2015 that as at 30 June 2015, the Group had bank balances and cash of approximately RMB831 million and the bank borrowings of approximately RMB150 million. Despite the relatively strong financial position of the Group and the fact that the Company has no current plan to utilize the New General Mandate, we concur with the view of the Directors that maintaining financial flexibility of the Group is conducive to its future business development and investment and that the Refreshment of Existing General Mandate will provide an alternative for the Company to raise funds under the New General Mandate and will provide more flexibility and options of financing to the Group for future investments and business development as and when any opportunity arises. We further consider that the availability of the New General Mandate, if granted, will reduce the uncertainties that specific mandate may not be obtained in a timely manner. Accordingly, we are of the view that despite the relatively strong financial position of the Group and the fact that the Company has no current plan to utilize the New General Mandate, the Refreshment of Existing General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Other financial alternatives

As advised by the management of the Company, apart from equity financing, the Directors may also consider other financing alternatives such as bank financing and internal cash resources to raise funds for its future investment and business development, depending on the Company's financial position and cost of funding as well as the prevailing market condition. We were given to understand that the Directors would exercise due and careful consideration in the selection of financing method in order to maximise the benefit to the Shareholders.

The management of the Company considers, and we concur, that bank financing may incur interest burden on the Group and may be subject to lengthy due diligence exercise, negotiations with the banks, the Group's capital structure, and the financial market condition at that time. Regarding the different equity financing methods, in the case of alternative pro-rata equity fund raising such as rights issue and open offer, lengthy commercial negotiations with potential underwriters may be required, which may result in the failure in raising funds for the Group's future investment and business development in a timely manner.

In view of the foregoing, the Refreshment of Existing General Mandate is in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group to pursue future investment and business development. The Board considers and we concur that the Refreshment of Existing General Mandate (i) does not incur any interest paying obligations on the Group as in bank financing; (ii) is less costly and less time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any prospective investment opportunity as and when it arises and to finance future business development in a timely manner when required.

Given the aforementioned reasons, we consider that the Refreshment of Existing General Mandate will provide the Company with an additional alternative of equity funding and enhance the financing flexibility of the Company to raise funds if required by way of issuance of new Shares for future business development and expansion and/or pursuing investment opportunities, and we consider that the Refreshment of Existing General Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Potential dilution on shareholdings

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) for illustrative purposes only, upon full utilisation of the New General Mandate (assuming no further Share is issued or repurchased by the Company between the Latest Practicable Date and the date of the EGM):

Shareholders	As at the Latest Practicable Date		Upon full utilization of the New General Mandate	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Chen Wantian (<i>Note</i>)	406,778,187	30.80	406,778,187	25.67
Mr. Song Guosheng	456,797	0.03	456,797	0.03
Public Shareholders	913,367,605	69.17	913,367,605	57.63
Maximum number of new Shares to be issued under the New General Mandate if granted	—	—	264,119,317	16.67
Total	<u>1,320,596,589</u>	<u>100.00</u>	<u>1,584,715,906</u>	<u>100.00</u>

Note: Mr. Chen Wantian, an executive Director and chairman of the Company, is deemed to be interested in 405,722,187 Shares owned by Rich Union Enterprises Limited as the legal owner of the entire issued share of Rich Union Enterprises Limited and is personally interested in 1,050,000 Shares.

As illustrated in the above table, assuming that the Refreshment of Existing General Mandate is approved at the EGM and that no Shares will be repurchased and no new Shares will be issued from the Latest Practicable Date up to the date of the EGM (both dates inclusive), the aggregate shareholding of the existing public Shareholders will be diluted from approximately 69.17% to approximately 57.63% upon full utilisation of the New General Mandate.

Taking into account the benefits of the Refreshment of Existing General Mandate as discussed above including in particular that the Refreshment of Existing General Mandate would provide the Group with financial flexibility to raise equity capital expeditiously for its future investment and business development and would strengthen the capital base and financial position of the Company, and having considered the fact that the shareholdings of all Shareholders will be diluted proportionately and the capital base of the Company will be enlarged upon the utilisation of the New General Mandate, we consider that such potential dilution to the shareholdings of the existing public Shareholders is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into account the above principal factors and reasons regarding the Refreshment of Existing General Mandate, including in particular that:

- as at the Latest Practicable Date, there remained only 1,200 Shares issuable under the Existing General Mandate;
- the next annual general meeting is expected to be held in about April 2016, which is approximately six months away from the Latest Practicable Date;
- the New General Mandate, if granted, will allow the Company to maintain financial flexibility to raise funds for its future investment and business development as and when any opportunity arises and will reduce the uncertainties that specific mandate may not be obtained in a timely manner;
- the Refreshment of Existing General Mandate does not incur any interest paying obligations on the Group as in bank financing and is less costly and less time-consuming than raising funds by way of rights issue or open offer; and
- the potential dilution effect to the shareholdings of the existing public Shareholders is considered acceptable as discussed above,

we are of the view that the Refreshment of Existing General Mandate is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Refreshment of Existing General Mandate.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Robert Siu
Managing Director

Matthew Leung
Associate Director

Mr. Robert Siu is a licensed person registered with the SFC and a responsible officer of Mesis Capital Limited for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry. Mr. Matthew Leung is a licensed person registered with the SFC for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and a responsible officer of Mesis Capital Limited for type 6 (advising on corporate finance) regulated activity under the SFO and has over 5 years of experience in corporate finance industry.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of China Silver Group Limited (the “Company”) will be held at Regus Conference Center, 35/F, Central Plaza, 18 Harbour Road, Hong Kong on Monday, 9 November 2015 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolution(s) as an ordinary resolution(s):

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company or securities convertible into such shares or options, warrants, or similar right to subscribe for any shares or convertible securities of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorization given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraphs (a) and (b) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) the exercise of any options granted under any share option schemes of the Company approved by The Stock Exchange of Hong Kong Limited; (iii) any scrip dividend or similar arrangement providing for the

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allotment of shares in lieu of the whole or part a dividend on shares of the Company pursuant to the articles of association of the Company (the “**Articles of Association**”) from time to time; or (iv) an issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed 20 per cent. (20%) of the aggregate nominal amount of the issued share capital of the Company as at the time of passing this resolution, and the said approval shall be limited accordingly;

- (d) for the purposes of this resolution: “**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or (iii) the date upon which the authority set out in this resolution revoked or varied by way of ordinary resolution of the shareholders of the Company in general meeting;

“**Rights Issue**” means an offer of shares open for a period fixed by the Directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchange, in any territory outside Hong Kong); and

- (e) the general mandate granted to the Directors to exercise power of the Company to allot, issue and deal in securities of the Company at the annual general meeting of the Company held on 21 April 2015 be and is hereby revoked (without prejudice to the valid exercise of such general mandate, if any, prior to the passing of this resolution).”
2. “**THAT** subject to and conditional upon the granting by the Listing Committee of the Stock Exchange of, the listing of and permission to deal in, the shares to be issued pursuant to the exercise of options granted under the refreshed scheme mandate limit (the “**Option Scheme Limit**”) under the share option scheme (“**Share Option Scheme**”) adopted by the Company by way of shareholders’ resolution on 21 April 2015 in the manner as set out in paragraph (a) of this resolution below,
- (a) the refreshment of the Option Scheme Limit of up to 10% of the Shares in issue as at the date of passing of this resolution be and is hereby approved provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as

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refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the day on which this resolution is passed (options previously granted under the Share Option Scheme and any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Limit); and

- (b) the Directors of the Company or a duly authorised committee thereof be and they are hereby authorised: (i) at their absolute discretion, to grant options to subscribe for shares of the Company within the Option Scheme Limit in accordance with the rules of the Share Option Scheme, and (ii) to allot, issue or otherwise deal with shares of the Company pursuant to the exercise of options granted under the Share Option Scheme within the Option Scheme Limit.”

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

Hong Kong, 20 October 2015

Registered Office:

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

*Head Office and Principal Place
of Business in Hong Kong:*

Unit 2602, China Merchants Tower,
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

NOTICE OF EGM

Notes:

1. Every member entitled to attend and vote at the above EGM (or at any adjournment thereof) is entitled to appoint another person as his proxy. Any member who holds two or more Shares may appoint more than one proxy. A proxy need not be a member of the Company. The number of proxies appointed by a clearing house (or its nominee) is not subject to the aforesaid limitation.
2. Where there are joint holders of any Share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share will alone be entitled to vote in respect thereof.
3. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notorially certified copy of that power or authority), must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not be preclude a member from attending the EGM and voting in person if he so wishes and in such event, the form of proxy should be deemed to be revoked.
4. Pursuant to Rule 13.39(4) of the Listing Rules all the resolutions set out in this notice shall be decided by poll at the meeting except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

As at the date of this circular, the executive directors of the Company are Mr. Chen Wantian, Mr. Sung Kin Man, Mr. Song Guosheng and Mr. Chen Guoyu; and the independent non-executive directors of the Company are Mr. Guo Bin, Dr. Jiang Tao, Dr. Li Haitao and Dr. Zeng Yilong.