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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)

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF
CSMALL GROUP LIMITED ON THE MAIN BOARD OF
THE STOCK EXCHANGE
AND
POSSIBLE MAJOR TRANSACTION**

This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), Practice Note 15 of the Listing Rules and Rule 13.09(2)(a) of the Listing Rules.

The Company proposes to carry out a spin-off and separate listing of its New Jewellery Retail Business, which is owned and operated by the CSMAll Group, on the Main Board of the Stock Exchange. The Company has submitted a spin-off proposal pursuant to Practice Note 15 to the Listing Rules, and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-Off.

The Company is pleased to announce that on 28 August 2017, the Form A1 Application was submitted to the Stock Exchange for the listing of and permission to deal in the CSMAll Shares.

In having due regard to the interests of the Shareholders, it is intended that an assured entitlement to CSMall Shares will be provided to the Shareholders by way of a Distribution in Specie of the CSMall Shares to be issued to the Company pursuant to the Loan Capitalisation Issue which will be distributed to qualifying Shareholders in proportion to their respective shareholdings in the Company. The terms of the Distribution of Specie will be finalised and announced in due course.

Based on the indicative terms of the Distribution in Specie and the Global Offering, it is expected that certain of the Applicable Percentage Ratios may exceed 25% but all of the Applicable Percentage Ratios will be less than 75%, and hence the Proposed Spin-Off may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Proposed Spin-Off will therefore be subject to, among other things, the approval of the Shareholders at the EGM under Chapter 14 of and Practice Note 15 to the Listing Rules. The Company will comply with all applicable requirements under Chapter 14 of and Practice Note 15 to the Listing Rules as and when necessary.

The Proposed Spin-Off is subject to, among other things, the approval of the Shareholders, the approval of the Stock Exchange, the final decision of the Directors and the board of directors of CSMall, as well as market conditions and other considerations. Accordingly, Shareholders and potential investors should be aware that there is no assurance that the Proposed Spin-Off will take place and, if so, when it will take place. If the Proposed Spin-Off does not proceed for any reason, the Distribution in Specie will not be made. Shareholders and potential investors should exercise caution when dealing in or investing in the securities of the Company.

INTRODUCTION

This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), Practice Note 15 of the Listing Rules and Rule 13.09(2)(a) of the Listing Rules.

The Company proposes to carry out a spin-off and separate listing of its New Jewellery Retail Business, which is owned and operated by the CSMall Group, on the Main Board of the Stock Exchange. In this regard, the Company has submitted a spin-off proposal pursuant to Practice Note 15 to the Listing Rules, and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-Off.

The Company is pleased to announce that on 28 August 2017, the Form A1 Application was submitted to the Stock Exchange for the listing of and permission to deal in the CSMall Shares.

THE PROPOSED SPIN-OFF

The Proposed Spin-Off involves the spin-off and separate listing of CSMall, which as of the date of this announcement is a non-wholly-owned subsidiary of the Company. CSMall is an exempted company with limited liability incorporated in the Cayman Islands on 19 January 2017. Upon completion of the reorganisation of the CSMall Group on 16 February 2017, CSMall became the new holding company of the CSMall Group.

The Proposed Spin-Off is conditional upon, among other things, the following:

- (i) the approval of the Shareholders at the EGM;
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the CSMall Shares in issue and any CSMall Shares which may be issued pursuant to the Proposed Spin-Off;
- (iii) the terms of the Global Offering being agreed among the Company, CSMall and the underwriter(s);
- (iv) the final decision of the Directors and the board of directors of CSMall; and
- (v) market conditions and other considerations.

The Proposed Spin-Off will be effected by way of (i) a Distribution in Specie of the CSMall Shares to be issued to the Company pursuant to the Loan Capitalisation Issue; and (ii) the Global Offering of new CSMall Shares. It is expected that upon completion of the Proposed Spin-Off, the shareholding percentage of the Company in CSMall may be diluted from approximately 60.07% at present to approximately 45%. Our Directors are of the view that the Company may, having regard to various factors after completion of the Proposed Spin-off, such as the shareholding structure of CSMall and the extent that the Company continues to exert significant influence over CSMall, among others, continue to account for CSMall as its subsidiary.

Upon completion of the Proposed Spin-Off, there will be a clear delineation between the Retained Businesses and the New Jewellery Retail Business in terms of the nature of business, source of revenue, products or services offered, target customers and nature of suppliers.

As part of the Proposed Spin-Off, CSMall will undertake the Loan Capitalisation Issue. In addition, the Company plans to settle the remaining net outstanding amount due from CSMall Group to the Company by way of a capital contribution of such amount by the Company to CSMall which will be reflected in the reserves of CSMall.

If the Proposed Spin-Off proceeds, the net proceeds from the Global Offering will be used by the CSMall Group for, among other things, expanding and optimising its integrated online and offline retail structure and enhancing its online and offline synergies, and strengthening its data collection, mining and utilisation capabilities.

ASSURED ENTITLEMENT

In accordance with Practice Note 15 to the Listing Rules, and having due regard to the interests of the Shareholders, it is intended that an assured entitlement to CSMall Shares will be provided to qualifying Shareholders by way of a Distribution in Specie of the CSMall Shares to be issued to the Company pursuant to the Loan Capitalisation Issue in proportion to their respective shareholdings in the Company. The terms of the Distribution of Specie will be finalised and announced in due course.

REASONS AND BENEFITS OF THE PROPOSED SPIN-OFF

The Directors believe that the Proposed Spin-Off is in the interest of the Company, CSMall and the Shareholders for the following reasons:

- (i) Clarity and fairness of valuation. The nature of business, source of revenue, products or services offered, target customers and nature of suppliers of the Retained Businesses and the New Jewellery Retail Business are vastly different. The separate listing of CSMall will enable investors to appraise the performance and potential of the Retained Businesses and the New Jewellery Retail Business separately, thereby achieving a clear and fair valuation of both the Company and CSMall.
- (ii) Enhancement of value. The Spin-Off will unlock the CSMall Group's shareholder value as a result of the increased financial reporting transparency of the New Jewellery Retail Business, and enhance access to capital by virtue of CSMall's separate listing status so as to support its expansion plans in the years to come. At the same time, as the Company will remain CSMall's controlling shareholder, the Shareholders will also be able to enjoy the benefits of its development.

- (iii) More defined focus and effective resource allocation. The Retained Businesses and the New Jewellery Retail Business will be clearly delineated and will function independently after the Proposed Spin-Off. This will allow the management teams of both the Company and CSMall to focus on their respective business operations and expertise as well as allocate resources only with regard to their respective needs. This is important given the CSMall Group's rapid growth rate.
- (iv) Alignment with appropriate investor bases. The Proposed Spin-Off will strengthen the existing investor base of the Company and create a new investor base for CSMall. With the divestment of the CSMall Group, shares in the Company will prove more attractive to investors who specifically seek to invest in the traditional businesses of silver ingot and non-ferrous metal manufacturing and commodity exchange, many of whom are existing Shareholders. On the other hand, shares in CSMall will appeal to "new economy" investors who are interested in e-commerce and Internet-based companies as well as other companies in the technology and innovation-based sectors.

IMPLICATIONS UNDER THE LISTING RULES

When completed, the Proposed Spin-Off will constitute a deemed disposal of the Company's interest in CSMall under Rule 14.29 of the Listing Rules. Based on the indicative terms of the Distribution in Specie and the Global Offering, it is expected that certain of the Applicable Percentage Ratios may exceed 25% but all of the Applicable Percentage Ratios will be less than 75%, and hence the Proposed Spin-Off may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Proposed Spin-Off is therefore subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of Practice Note 15 and Chapter 14 of the Listing Rules. The Company will comply with the requirements under paragraph 3(e)(1) of Practice Note 15 to the Listing Rules and the applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements) as and when necessary.

If the Proposed Spin-Off proceeds, the Company will despatch a Circular to the Shareholders containing, among other things, (i) full details of the Proposed Spin-Off and its effect on the Company, (ii) a letter from the independent board committee consisting only of the independent non-executive Directors, (iii) a letter from the independent financial adviser to be appointed by the Company, and (iv) a notice of the EGM. As the Form A1 Application is subject to the Stock Exchange's vetting and approval, the expected date of despatch of the Circular will be more than 15 business days after the date of this announcement. The Company will despatch the Circular to the Shareholders as soon as practicable. It is currently expected that the Company will convene the EGM in the fourth quarter of 2017.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting at the EGM.

INFORMATION ON THE CSMALL GROUP

The CSMall Group is a leading integrated online and offline Internet-based jewellery retailer in China.

Set out below is certain selected financial information of CSMall Group based on the audited consolidated financial statements of CSMall Group for the two years ended 31 December 2016 and six months ended 30 June 2017:

	For the year ended 31 December 2015 <i>RMB'000</i>	For the year ended 31 December 2016 <i>RMB'000</i>	For the six months ended 30 June 2017 <i>RMB'000</i>
Revenue	835,345	2,465,291	1,798,717
Net profit before taxation	41,851	64,676	60,790
Net profit after taxation	32,954	50,264	45,455

The audited net asset value of the CSMall Group attributable to owners of the Company as at 31 December 2016 was approximately RMB184 million. The audited net asset value of the CSMall Group attributable to owners of the Company as at 30 June 2017 was approximately RMB227 million.

GENERAL

The Application Proof of CSMall's listing document submitted with the Form A1 Application is available for viewing and downloading on the Stock Exchange's website at <http://www.hkexnews.hk/app/sehkappmainindex.htm>. The Application Proof contains, among other things, certain business and financial information relating to CSMall Group. **Shareholders and investors should note that the Application Proof is in draft form and the information contained in it is subject to change which can be material. The Company does not take any obligation or liability whatsoever in relation to the Application Proof.**

Details of the Proposed Spin-Off, including the structure and timetable of the Global Offering, have not yet been finalised.

The Proposed Spin-Off is subject to, among other things, the approval of the Shareholders, the approval of the Stock Exchange, the final decision of the Directors and the board of directors of CSMall, as well as market conditions and

other considerations. Accordingly, Shareholders and potential investors should be aware that there is no assurance that the Proposed Spin-Off will take place and, if so, when it will take place. If the Proposed Spin-Off does not proceed for any reason, the Distribution in Specie will not be made. Shareholders and potential investors should exercise caution when dealing in or investing in the securities of the Company.

The Company will make further announcement(s) in relation to the Proposed Spin-Off in accordance with the requirements of the Listing Rules as and when appropriate.

DEFINITIONS

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

“Affiliates”	the Company’s subsidiaries and parties controlled by the Company either solely or jointly with any other party
“Applicable Percentage Ratios”	the percentage ratios stipulated in Rule 14.07 of the Listing Rules as applicable to the Proposed Spin-Off, as more particularly described in the section headed “Implications under the Listing Rules” of this announcement
“Application Proof”	the redacted form of application proof of CSMall’s listing document
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	board of directors
“China”	the People’s Republic of China, which, for the purposes of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Circular”	the circular to be despatched to the Shareholders in respect of the Proposed Spin-Off, as more particularly described in the section headed “Implications under the Listing Rules” of this announcement
“close associate(s)”	has the meaning ascribed thereto in the Listing Rules

“Company”	China Silver Group Limited (中國白銀集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“CSMall”	CSMall Group Limited (金貓銀貓集團有限公司), a company incorporated in the Cayman Islands with limited liability and a subsidiary of the Company
“CSMall Group”	CSMall and its subsidiaries
“CSMall Share(s)”	share(s) in CSMall
“Director(s)”	director(s) of the Company
“Distribution in Specie”	the Company’s proposed distribution in specie of the CSMall Shares to be issued to it pursuant to the Loan Capitalisation Issue to qualifying Shareholders, as more particularly described in the section headed “Assured Entitlement” of this announcement
“EGM”	the extraordinary general meeting of the Company to be convened to, among other things, approve the Proposed Spin-Off
“Form A1 Application”	the listing application form (Form A1) submitted to the Stock Exchange on 28 August 2017 in respect of the Proposed Spin-Off
“Global Offering”	the Hong Kong public offering (being the issue and offer for subscription to the public in Hong Kong) and the international offering (being the placing to institutional, professional and other investors) of new CSMall Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Capitalisation Issue”	the issuance of new CSMall Shares to the Company by CSMall to capitalise part (and not all) of the outstanding amount due from CSMall Group to the Company prior to the Proposed Spin-Off

“New Jewellery Retail Business”	the business owned and operated by the CS Mall Group, being one of the business segments of the Company, which comprise CS Mall Group’s (a) e-commerce platform, (b) offline sales and service network, (c) data mining and utilisation capabilities; and (d) crossover sales and marketing initiatives
“Proposed Spin-Off”	the proposed spin-off and separate listing of CS Mall on the Main Board of the Stock Exchange, to be effected by the Distribution in Specie and the Global Offering
“Retained Businesses”	the business segments of the Company other than the New Jewellery Retail Business, including the manufacturing business (being the manufacturing of high-grade silver ingots for industrial and trading purposes in China) and the silver exchange business (being the operation of Shanghai White Platinum & Silver Exchange (上海華通鉑銀交易市場有限公司), an integrated precious metal exchange platform in China)
“RMB”	Renminbi, the lawful currency of China
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“%”	per cent

By order of the Board
China Silver Group Limited
Chen Wantian
Chairman

Hong Kong, 30 August 2017

As at the date of this announcement, the executive Directors are Mr. Chen Wantian, Mr. Sung Kin Man, Mr. Song Guosheng and Mr. Chen Guoyu, and the independent non-executive Directors are Mr. Guo Bin, Mr. Song Hongbing, Dr. Li Haitao and Dr. Zeng Yilong.