

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)

SUBSCRIPTIONS BY THREE INVESTORS FOR NEW SHARES TO BE ISSUED UNDER GENERAL MANDATE

On 23 February 2022 (after trading hours), the Company entered into the Subscription Agreements with 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 325,680,117 Subscription Shares at the Subscription Price of HK\$0.59 per Subscription Share.

The Subscription Shares represent (i) approximately 20.00% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of all of the Subscription Shares, assuming that no new Shares other than the Subscription Shares will be allotted and issued by the Company in the interim.

The gross proceeds received from the Subscriptions will be HK\$192,151,269.03. After deducting all expenses payable by the Company in connection with the Subscriptions, the net proceeds received from the Subscriptions are expected to be approximately HK\$191,151,269.03, or approximately RMB155,108,000 (estimated based on the PBOC Middle Exchange Rate on 23 February 2022 of HK\$1 to RMB0.81144).

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 15 June 2021, and hence no separate approval from the Shareholders is required. The Subscription Shares to be allotted and issued will utilize the entirety of the General Mandate.

As the completion of the Subscriptions is subject to the satisfaction (or if applicable, waiver) of certain conditions precedent, the Subscriptions may or may not proceed in full, if at all. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that, on 23 February 2022 (after trading hours), the Company entered into the Subscription Agreements with 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 325,680,117 Subscription Shares at the Subscription Price of HK\$0.59 per Subscription Share.

The principal terms of the Subscription Agreements are summarized as follows:

THE SUBSCRIPTION AGREEMENTS

Date

23 February 2022

Parties

- The Subscription Agreement I:
- (1) The Company as the issuer
 - (2) Subscriber I as the subscriber
- The Subscription Agreement II:
- (1) The Company as the issuer
 - (2) Subscriber II as the subscriber

- The Subscription Agreement III:
- (1) The Company as the issuer
 - (2) Subscriber III as the subscriber

Subject Matter

Pursuant to the Subscription Agreement I, Subscriber I has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 138,414,050 Subscription Shares.

Pursuant to the Subscription Agreement II, Subscriber II has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 138,414,050 Subscription Shares.

Pursuant to the Subscription Agreement III, Subscriber III has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 48,852,017 Subscription Shares.

The aggregate of 325,680,117 Subscription Shares represent (i) approximately 20.00% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of all of the Subscription Shares, assuming that no new Shares other than the Subscription Shares will be allotted and issued by the Company in the interim.

The Subscription Shares, when allotted and issued, shall rank pari passu in all respects with all other existing Shares outstanding on the date of such allotment and issue. An application will be made by the Company to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, the Subscription Shares.

Subscription Price

The Subscription Price is HK\$0.59 per Subscription Share, representing (i) a premium of approximately 1.72% over the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements (i.e. 23 February 2022); and (ii) a premium of approximately 0.34% over the average closing price of HK\$0.588 per Share as quoted on the Stock Exchange in the five trading days immediately prior to the date of the Subscription Agreements (i.e. 16, 17, 18, 21 and 22 February 2022).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscribers primarily with reference to the prevailing market prices of the Shares.

Conditions Precedent

Under each Subscription Agreement, the relevant Subscriber's subscription for, and the Company's allotment and issue of, the relevant Subscription Shares are conditional upon the satisfaction (or if applicable, waiver) of the following conditions precedent:

- (a) the Listing Committee of the Stock Exchange having granted its approval for the listing of, and permission to deal in, such Subscription Shares, and such approval and permission not having been withdrawn prior to the commencement of trading of such Subscription Shares on the Main Board of the Stock Exchange;
- (b) the representations, warranties, undertakings, confirmations and admissions made by such Subscriber under such Subscription Agreement being true and accurate and not misleading as at the date of such Subscription Agreement and the date of issue of such Subscription Shares, and such Subscriber not having breached such Subscription Agreement; and
- (c) the transactions contemplated under such Subscription Agreement not being prohibited by any laws or regulations or interpretations thereof in Hong Kong, the Cayman Islands or any other jurisdictions applicable to the Company.

Except for condition precedent (b) above which may be waived by the Company, the conditions precedent set forth above may not be waived by any party to each Subscription Agreement.

The transactions contemplated under the three Subscription Agreements are not inter-conditional upon one another.

Completion

Under each Subscription Agreement, Completion shall take place on the second Hong Kong business day following the satisfaction (or if applicable, waiver) of all of the conditions precedent set forth in the sub-section headed “Conditions Precedent” above, or such other date as may be agreed between the parties to such Subscription Agreement.

Under each Subscription Agreement, on or before the date of Completion, the relevant Subscriber shall pay the RMB equivalent (calculated based on the PBOC Middle Exchange Rate on or closest to the date of payment) of the Subscription Price multiplied by the relevant number of Subscription Shares to a bank account designated by the Company.

Under each Subscription Agreement, on the date of Completion, the Company shall allot and issue the relevant number of Subscription Shares to the relevant Subscriber or his wholly-owned entity.

Termination

Each Subscription Agreement may be terminated in the following manner:

- (a) if the conditions precedent set forth in the sub-section headed “Conditions Precedent” above have not been satisfied (or if applicable, waived) by 27 March 2022 or such later date as may be agreed between the Company and the relevant Subscriber;
- (b) by the Company, if the relevant Subscriber is in serious breach of such Subscription Agreement or if any representation, warranty or undertaking made by such Subscriber thereunder is untrue or inaccurate in any respect; or
- (c) by the Company and the relevant Subscriber, upon their mutual agreement.

Lock-up Period

Each Subscriber has agreed and undertaken that, in the period of six months commencing on the date of issue of the relevant Subscription Shares, he shall not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, such Subscription Shares.

THE GENERAL MANDATE

The Subscription Shares will be allotted and issued under the General Mandate, and hence no separate approval from the Shareholders is required. Pursuant to the General Mandate, the total number of new Shares that the Directors are authorized to allot and issue is 325,680,117 Shares (being 20% of the number of issued Shares as at 15 June 2021, the date of the annual general meeting of the Company at which the General Mandate was granted). The General Mandate has not been utilized as at the date of this announcement since it was granted. The Subscription Shares to be allotted and issued will utilize the entirety of the General Mandate. The Company has not repurchased any Shares within the last 30 days prior to the date of this announcement, and has not conducted any equity fund raising activities within the last 12 months prior to the date of this announcement.

USE OF PROCEEDS FROM THE SUBSCRIPTIONS

The gross proceeds received from the Subscriptions will be HK\$192,151,269.03. After deducting all expenses payable by the Company in connection with the Subscriptions (currently expected to be approximately HK\$1,000,000), the net proceeds received from the Subscriptions are expected to be approximately HK\$191,151,269.03 (representing a net issue price of approximately HK\$0.587 per Subscription Share), or approximately RMB155,108,000 (estimated based on the PBOC Middle Exchange Rate on 23 February 2022 of HK\$1 to RMB0.81144). The Company currently intends to utilize such net proceeds in the following manner:

- (a) RMB21,740,000, or approximately 14% of the net proceeds, will be allocated to the rectification works on the production and other facilities of Jiangxi Longtianyong;
- (b) RMB72,346,000, or approximately 47% of the net proceeds, will be allocated to the procurement of raw materials after the full resumption of production activities at Jiangxi Longtianyong;

- (c) RMB30,000,000, or approximately 19% of the net proceeds, will be allocated to the repayment of certain bank borrowing(s) of the Group; and
- (d) the remainder (currently expected to be approximately RMB31,022,000), or approximately 20% of the net proceeds, will be allocated as general working capital of the Group.

The exact net proceeds (in RMB) received from the Subscriptions will depend on the actual PBOC Middle Exchange Rate on or around the date(s) of receipt of the subscription monies and the actual expenses payable by the Company, and may therefore deviate from the figure provided above. Any such deviation will be reflected in the amount allocated to intended purpose (d) above.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

The Group is a leading fully-integrated silver and precious metals enterprise in the PRC with four business segments, including (i) the manufacturing segment, i.e. manufacture, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC; (ii) the new jewellery retail segment under the CSMall Group, i.e. design and integrated online-and-offline sales of gold, silver, gem-set and other jewellery products in the PRC; (iii) the silver exchange segment, i.e. provision of a professional electronic platform and related services for the trading of silver ingots in the PRC; and (iv) the fresh food retail segment under the CSMall Group, i.e. integrated online-and-offline sales of fresh food and provision of related electronic platforms in the PRC.

As disclosed in the Company's announcements dated 7 June 2021, 25 August 2021 and 22 February 2022, the production activities of Jiangxi Longtianyong, a major subsidiary of the Group's manufacturing segment, were suspended and have only in-principle partially resumed, pending the completion of further rectification measures. In line with the intended purposes set forth in the section headed "Use of Proceeds from the Subscriptions" above, the Subscriptions are expected to strengthen the Group's overall working capital position in anticipation of the full resumption of production activities at Jiangxi Longtianyong which the Company currently targets to achieve in the second quarter of 2022.

Based on the above and the fact that the Subscription Price was determined primarily with reference to the prevailing market prices of the Shares, the Directors consider that the terms of the Subscription Agreements are fair and reasonable, and that the Subscriptions are in the interest of the Company and the Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets forth the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of all of the Subscription Shares, assuming that no new Shares other than the Subscription Shares will be allotted and issued by the Company in the interim:

| Name of Shareholder | As at the date of this announcement | | Immediately after the allotment and issue of all of the Subscription Shares | |
|---|--|--|---|--|
| | <i>Number of Shares</i> | <i>Approximate percentage shareholding</i> | <i>Number of Shares</i> | <i>Approximate percentage shareholding</i> |
| Mr. Chen Wantian (陳萬天), chairman and executive Director ⁽¹⁾ | 406,772,187 | 24.98% | 406,772,187 | 20.82% |
| Mr. Song Guosheng (宋國生), executive Director | 456,797 | 0.03% | 456,797 | 0.02% |
| FIL Limited ⁽²⁾ | 129,904,000 | 7.98% | 129,904,000 | 6.65% |
| Subscriber I | – | – | 138,414,050 | 7.08% |
| Subscriber II | 1,667 | 0.00% | 138,415,717 | 7.08% |
| Subscriber III | – | – | 48,852,017 | 2.50% |
| Other Shareholders | 1,091,265,938 | 67.01% | 1,091,265,938 | 55.85% |
| Total | <u>1,628,400,589</u> | <u>100%</u> | <u>1,954,080,706</u> | <u>100%</u> |

Notes:

- Mr. Chen Wantian directly holds 1,050,000 Shares, and indirectly through his wholly-owned investment holding vehicle Rich Union Enterprises Limited holds 405,722,187 Shares.
- To the knowledge of the Company based on public information, FIL Limited indirectly holds 129,904,000 Shares through various wholly-owned subsidiaries.

INFORMATION ON THE SUBSCRIBERS

Subscriber I (i.e. Mr. Liu Junjie (劉君杰)) is a PRC national and a jewellery industry practitioner. He is the sole shareholder of Shanghai Jitian Jewellery Co., Ltd.* (上海集天珠寶有限公司), the majority shareholder of Zhejiang Futianyin Culture Development Co., Ltd.* (浙江福天銀文化發展有限公司), and a controlling shareholder of Ninghai Futianyin Culture and Tourism Development Co., Ltd.* (寧海福天銀文化旅遊開發有限公司). Among these, Shanghai Jitian Jewellery Co., Ltd.* is a franchisee of the CSMall Group and purchases jewellery products from the CSMall Group from time to time.

Subscriber II (i.e. Mr. Chen Xiyin (陳錫銀)) is a PRC national and a jewellery industry practitioner. He is the sole shareholder of Zhejiang Furuihong Jewellery Co., Ltd.* (浙江福瑞宏珠寶首飾有限公司), and the majority shareholder of Shenzhen Yueshang Xinghe Culture and Technology Co. Ltd.* (深圳躍上星河文化科技有限公司). Among these, Zhejiang Furuihong Jewellery Co., Ltd.* is a franchisee of the CSMall Group and purchases jewellery products from the CSMall Group from time to time.

Subscriber III (i.e. Mr. Yao Runxiong (姚潤雄)) is a PRC national and an entrepreneur. He was the founder and is now the majority shareholder of King Tai Fook Jewellery Co., Ltd.* (金大福珠寶有限公司), an integrated PRC-based jewellery enterprise specialized in the manufacture, processing, wholesale, retail as well as import and export of gold, karat gold, platinum, diamonds, jade and other jewellery accessories, which is a strategic partner of the CSMall Group and purchases jewellery products from the CSMall Group from time to time. As a result of such strategic partnership, he has been a strategic shareholder of CSMall since August 2019 with an approximately 8.08% shareholding. Besides, he is also an executive director of Kingbo Strike Limited (工蓋有限公司), a company engaged in the businesses of electrical engineering services, solar photovoltaic parts and equipment as well as electrical distribution system in the PRC, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1421).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, except for their aforesaid business dealings with the CSMall Group, all of the Subscribers are third parties independent of the Company and its connected persons.

As the completion of the Subscriptions is subject to the satisfaction (or if applicable, waiver) of certain conditions precedent, the Subscriptions may or may not proceed in full, if at all. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

| | |
|-----------------------|--|
| “Board” | the board of Directors of the Company |
| “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 (Stock Code: 815) |
| “Completion” | in respect of each Subscription Agreement, the completion of the transactions contemplated thereunder |
| “connected person(s)” | has the meaning ascribed thereto in the Listing Rules |
| “CSMall” | CSMall Group Limited (金貓銀貓集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1815), which is a non-wholly-owned subsidiary of the Company |
| “CSMall Group” | CSMall and its subsidiaries from time to time |
| “Director(s)” | director(s) of the Company |

| | |
|-----------------------------|--|
| “General Mandate” | the general mandate granted to the Directors to exercise the power of the Company to allot and issue a maximum of 325,680,117 new Shares (being 20% of the number of issued Shares as at 15 June 2021, the date of the annual general meeting of the Company at which the general mandate was granted) |
| “Group” | The Company and its subsidiaries from time to time |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “Jiangxi 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, which is a wholly-owned subsidiary of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time |
| “PBOC Middle Exchange Rate” | the interbank foreign exchange market HK\$-RMB middle exchange rate published by the China Foreign Exchange Trade System* (中國外匯交易中心) under the authorization of the People’s Bank of China* (中國人民銀行) |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, does not include Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | ordinary share(s) of a par value of HK\$0.01 each in the capital of the Company |
| “Shareholder(s)” | holder(s) of Share(s) |

| | |
|------------------------------|--|
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscriber I” | Mr. Liu Junjie (劉君杰), a PRC national |
| “Subscriber II” | Mr. Chen Xiyin (陳錫銀), a PRC national |
| “Subscriber III” | Mr. Yao Runxiong (姚潤雄), a PRC national |
| “Subscriber(s)” | Subscriber I, Subscriber II and Subscriber III, or one or some of them as the context may require |
| “Subscriptions” | the subscriptions for the Subscription Shares by the Subscribers pursuant to the Subscription Agreements |
| “Subscription Agreement I” | the subscription agreement dated 23 February 2022 entered into between the Company and Subscriber I in relation to the subscription by Subscriber I for 138,414,050 Subscription Shares |
| “Subscription Agreement II” | the subscription agreement dated 23 February 2022 entered into between the Company and Subscriber II in relation to the subscription by Subscriber II for 138,414,050 Subscription Shares |
| “Subscription Agreement III” | the subscription agreement dated 23 February 2022 entered into between the Company and Subscriber III in relation to the subscription by Subscriber III for 48,852,017 Subscription Shares |
| “Subscription Agreement(s)” | the Subscription Agreement I, the Subscription Agreement II and the Subscription Agreement III, or one or some of them as the context may require |
| “Subscription Price” | HK\$0.59 per Subscription Share |

| | |
|-------------------------|---|
| “Subscription Share(s)” | a total of 325,680,117 new Shares (of a total par value of HK\$3,256,801.17) subscribed for by the Subscribers and to be allotted and issued by the Company pursuant to the Subscription Agreements, or one of some of such Shares as the context may require |
| “subsidiary(ies)” | has the meaning ascribed thereto in the Listing Rules |
| “%” | per cent |

Note: Names and expressions marked with an asterisk (“*”) are literal translations of the Chinese original text and are included for identification purpose only.

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

Hong Kong, 23 February 2022

As at the date of this announcement, the executive directors of the Company are Mr. Chen Wantian, Mr. Song Guosheng and Mr. Liu Jiandong; and the independent non-executive directors of the Company are Mr. Song Hongbing, Dr. Li Haitao and Dr. Zeng Yilong.