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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
DISPOSAL OF SILVER EXCHANGE SEGMENT**

The Board is pleased to announce that, on 28 September 2023 (after trading hours), the Company and the Buyer entered into the Share Purchase Agreement, pursuant to which the Company conditionally agreed to sell, and the Buyer conditionally agreed to purchase, the entire issued share capital of the Target Company for the Consideration of RMB8,000,000.

The Target Company is the holding company of the operator of the Shanghai Huatong Platform, which constitutes one of the Group's four operating segments, namely the silver exchange segment. Upon Completion, members of the Target Group will cease to be subsidiaries of the Company.

As the highest of the Applicable Percentage Ratios in respect of the Disposal is 5% or more but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements thereunder.

INTRODUCTION

The Board is pleased to announce that, on 28 September 2023 (after trading hours), the Company and the Buyer entered into the Share Purchase Agreement, pursuant to which the Company conditionally agreed to sell, and the Buyer conditionally agreed to purchase, the entire issued share capital of the Target Company.

MAJOR TERMS OF THE SHARE PURCHASE AGREEMENT

Date

28 September 2023 (after trading hours)

Parties

- (1) The Company, as the seller
- (2) The Buyer, as the buyer

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Buyer and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Subject Matter

Pursuant to the Share Purchase Agreement, the Company conditionally agreed to sell, and the Buyer conditionally agreed to purchase, the Sale Shares, being 50,000 ordinary shares in the Target Company, representing the entire issued share capital of the Target Company.

Upon Completion, members of the Target Group will cease to be subsidiaries of the Company.

Consideration

The Consideration for the Disposal shall be RMB8,000,000.

The Consideration shall be paid in cash by wire transfer in RMB to a designated account of the Company. It shall be paid within 30 days from the date of Completion or such other date as agreed by the Company in full or by installments.

The Consideration was arrived at after arm's length negotiations between the Company and the Buyer taking into account, among other things, the following factors:

- (a) the Target Group's generally shrinking business scale in recent years, as demonstrated by its historical financial information set forth in the section headed "General Information – Information on the Target Company and the Target Group" below and also the segment revenue of the Group's silver exchange segment disclosed in the Company's prior annual and interim reports;
- (b) the Target Group's limited business prospects and growth potential remaining, for the reasons set forth in the section headed "Reasons for and Benefits of the Disposal" below; and
- (c) the expected gain to be recorded by the Group as a result of the Disposal, as set forth in the section headed "Financial Impact of the Disposal and Use of Proceeds" below.

Conditions Precedent

Completion is subject to the fulfilment or (if applicable) waiver of the following conditions precedent:

- (a) the representations and warranties of the Company remaining true and accurate in all material respects and not misleading in any material respect; and
- (b) the representations and warranties of the Buyer remaining true and accurate in all material respects and not misleading in any material respect.

The Buyer may waive the condition precedent set forth in paragraph (a) above. The Company may waive the condition precedent set forth in paragraph (b) above.

Completion

Completion shall take place on the fifth business day after the fulfilment or (if applicable) waiver of the aforesaid conditions precedent, or on such other date as the Company and the Buyer may mutually agree upon. At Completion, the transfer of the Sale Shares shall take place by the remote exchange of electronic documents.

Upon Completion, the Huatong VIE Agreements shall be terminated, and the entire equity interest in Shanghai Huatong shall be transferred by the current registered equity-holders to third party(ies) designated by the Buyer.

Upon Completion, the Buyer shall procure that directors, secretaries, legal representatives, supervisors, managers and other officers (each as applicable) of the Target Company and Shanghai Huatong and their respective subsidiaries who are affiliated with the Company be promptly replaced with individuals designated by the Buyer.

Termination

The Share Purchase Agreement may be terminated at any time prior to Completion by mutual written consent of the Company and the Buyer.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Company is the holding company of the Target Group, which is the operator of the Shanghai Huatong Platform, an integrated silver exchange platform in the PRC that provides professional and standardized spot goods supply, trading, logistic and e-commerce services. The Shanghai Huatong Platform constitutes one of the Group's four operating segments, namely the silver exchange segment.

After the Group's acquisition of the Target Group in 2015 to 2016, various macro factors unfavorable to the operation and development of the Shanghai Huatong Platform have gradually emerged in subsequent years, including but not limited to the following:

- (a) Various regulatory policies applicable to exchange platform operators in Shanghai were introduced in late 2018, including (i) requirements for enhanced due diligence during client onboarding, which resulted in higher eligibility thresholds and lengthened approval processes for new clients and in turn led to fewer new clients being admitted; and (ii) the need for operators to be connected to a unified clearing platform for better protection of client money, which adversely affected business processes and customer experience. As a result of these policies, both the number of active users and the transaction volume on the Shanghai Huatong Platform have suffered a decline since 2019. For further details, please refer to pages 20 to 23 of the Company's 2020 interim report and pages 23 to 26 of the Company's 2020 annual report;
- (b) International silver prices have been relatively stable in recent years, resulting in commodity investors' subdued eagerness and willingness to trade silver, and hence lower transaction volume and commission income on the Shanghai Huatong Platform. The emergence of other more price-volatile asset types such as leveraged equities and cryptocurrencies has also made precious metals less attractive as a short-term investment option; and
- (c) Financial and technological advancements in recent years have seen the emergence of other methods and channels for trading silver, including in the form of spot silver, silver futures and silver-tracking exchange-traded funds (ETF), and by means of on-exchange, over-the-counter (OTC) and peer-to-peer (P2P) trades. These methods and channels are manifested through a large number of websites and mobile apps operated by domestic and overseas commodity exchanges and their members, contract for difference (CFD) brokers, financial technology (FinTech) startups and other companies, all of which compete with, and channel users and transaction volume away from, the Shanghai Huatong Platform.

In view of the foregoing macro factors, the Board is of the view that the value and necessity of the Shanghai Huatong Platform's business model have diminished, with limited business prospects and growth potential remaining, and that as a result, the Target Group is unlikely to bring substantial returns to the Group in the foreseeable future. To enable the Company to focus its management's attention and the Group's financial and manpower resources on the Group's other three operating segments, and given the presence of a willing buyer, the Board has decided to dispose of the Target Group.

Taking into account the above reasons and the expected financial impact of the Disposal as set forth in the section headed “Financial Impact of the Disposal and Use of Proceeds” below, the Directors consider that the terms of the Disposal are fair and reasonable, and that the Disposal is in the interest of the Company’s shareholders as a whole.

FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

Subject to audit, it is currently expected that the Group will record a gain of approximately RMB762,000 as a result of the Disposal, which is estimated as the Consideration (being RMB8,000,000) minus the Target Group’s net asset value (being RMB7,238,000 as at 31 August 2023).

The exact amount of the gain or loss on the Disposal to be recorded in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ending 31 December 2023 will be subject to audit, and will be calculated based on the Target Group’s net asset value as at Completion and taking into account relevant costs and expenses, and therefore may vary from the aforesaid figures.

The Company intends to apply the net proceeds of the Disposal as general working capital of the Group.

LISTING RULES IMPLICATIONS

As the highest of the Applicable Percentage Ratios in respect of the Disposal is 5% or more but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements thereunder.

GENERAL INFORMATION

Information on the Target Company and the Target Group

The Target Company is a direct wholly-owned subsidiary of the Company, and the holding company of the Target Group. For a description of the Target Group’s operations, please refer to the section headed “Reasons for and Benefits of the Disposal” above.

WZ Yintong, an indirect wholly-owned subsidiary of the Target Company, has previously entered into the Huatong VIE Agreements with, among others, Shanghai Huatong, pursuant to which the economic benefits and control of Shanghai Huatong are transferred to WZ Yintong. Shanghai Huatong and its subsidiaries are accounted for as consolidated structured entities of the Target Group as a result of the Huatong VIE Agreements. For a graphical illustration of the Target Group's corporate structure and further details of the Huatong VIE Agreements, please refer to page 55 of the Company's 2022 annual report.

According to the unaudited consolidated management accounts of the Target Group prepared in accordance with International Financial Reporting Standards, the Target Group's revenue, gross profit as well as net profit or loss before and after taxation (i.e. before and after income tax credit or expense) for the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 are set forth as follows:

	For the year ended 31 December 2021 (RMB, approximate)	For the year ended 31 December 2022 (RMB, approximate)	For the six months ended 30 June 2023 (RMB, approximate)
Revenue	47,557,000	14,769,000	7,887,000
Gross profit	44,645,000	8,761,000	6,168,000
Net profit/(loss) before taxation	30,490,000	(2,554,000)	2,092,000
Net profit/(loss) after taxation	34,454,000	(2,472,000)	1,962,000

According to the aforesaid unaudited consolidated management accounts, the Target Group's total asset value and net asset value as at 31 August 2023 are approximately RMB79,885,000 and RMB7,238,000, respectively.

Information on the Company and the Group

The Company is the holding company of the Group. The Group is a leading fully-integrated silver and precious metals enterprise in the PRC with four operating segments, including (i) the manufacturing segment, i.e. manufacturing, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC; (ii) the new jewellery retail segment, i.e. designing and sales of gold, silver, colored gemstones and gem-set and other jewellery products in the PRC; (iii) the silver exchange segment, i.e. the Target Group's operations; and (iv) the fresh food retail segment, i.e. integrated online-and-offline sales of fresh food in the PRC, and providing related electronic platforms and branding and SaaS (software as a service) services along the agricultural supply chain in the PRC.

Information on the Buyer

The Buyer is an investment holding vehicle beneficially wholly-owned by Mr. Wu Wenyong (吳文勇), who has more than a decade of experience in the precious metals industry and is currently a sales manager of a PRC company engaged in the sales of non-ferrous metals and related products.

DEFINITIONS

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

“Applicable Percentage Ratios”	the percentage ratios set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“Board”	the board of Directors of the Company
“Buyer”	Journey Grace Limited, a company incorporated in the BVI with limited liability
“BVI”	the British Virgin Islands

“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 of Hong Kong Limited (Stock Code: 815)
“Completion”	the completion of the Disposal
“Consideration”	the consideration for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Company to the Buyer pursuant to the Share Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huatong VIE Agreements”	the series of contractual arrangements entered into between, among others, WZ Yintong and Shanghai Huatong, pursuant to which the economic benefits and control of Shanghai Huatong are transferred to WZ Yintong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“PRC”	the People’s Republic of China, which for the purpose of this announcement, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Share Purchase Agreement”	the share purchase agreement dated 28 September 2023 entered into between the Company and the Buyer
“Sale Shares”	50,000 ordinary shares in the Target Company, representing the entire issued share capital of the Target Company
“Shanghai Huatong”	Shanghai Huatong Silver Exchange* (上海華通鈾銀交易市場有限公司), a company incorporated in the PRC with limited liability which, together with its subsidiaries, are accounted for as consolidated structured entities of the Target Group as a result of the Huatong VIE Agreements
“Shanghai Huatong Platform”	the integrated silver exchange platform in the PRC operated by the Target Group
“subsidiary(s)”	has the meaning ascribed thereto in the Listing Rules
“Target Company”	Ultimate Deal Group Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries
“WZ Yintong”	Wenzhou Yintong Economic Information Consulting Co., Limited* (溫州銀通經濟信息諮詢有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company
“%”	per cent

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

Hong Kong, 28 September 2023

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.

* For identification purpose only