Silver Base

Silver Base Group Holdings Limited

銀基集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 886)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

FINANCIAL HIGHLIGHTS

- Revenue was HK$489.1 million
- Gross loss was HK$163.1 million
- Loss for the year attributable to ordinary equity holders of the Company was HK$787.4 million
- Loss per share was HK$0.5812
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2014

RESULTS

The board (the "Board") of directors (the "Directors") of Silver Base Group Holdings Limited (the "Company") hereby announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2014, together with the comparative figures for the previous year in 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
REVENUE	5	**489,133**	390,189
Cost of sales		**(652,282)**	(357,887)
Gross profit/(loss)		**(163,149)**	32,302
Other income and gains, net	5	**6,486**	5,047
Selling and distribution expenses		**(221,399)**	(306,428)
Administrative expenses		**(135,127)**	(169,343)
Loss from impairment/write-off, net		**(234,041)**	(668,725)
Finance costs	6	**(40,374)**	(26,391)
LOSS BEFORE TAX	7	**(787,604)**	(1,133,538)
Income tax expense	8	**(436)**	(424)
LOSS FOR THE YEAR		**(788,040)**	(1,133,962)
ATTRIBUTABLE TO:			
ORDINARY EQUITY HOLDERS OF THE COMPANY		**(787,356)**	(1,133,325)
NON-CONTROLLING INTERESTS		**(684)**	(637)
		(788,040)	(1,133,962)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	10	**(58.12)**	(91.04)

* Details of the dividends are disclosed in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(788,040)**	(1,133,962)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**25,363**	6,537
Net other comprehensive income that may be subsequently reclassified to profit or loss	**25,363**	6,537
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**25,363**	6,537
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(762,677)**	(1,127,425)
ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE COMPANY	**(761,993)**	(1,126,788)
NON-CONTROLLING INTERESTS	**(684)**	(637)
	(762,677)	(1,127,425)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**23,982**	28,423
Investment property		**6,920**	7,129
Intangible asset		**8,300**	8,300
Deposits		**7,107**	7,901
Total non-current assets		**46,309**	51,753
CURRENT ASSETS			
Inventories		**796,264**	1,226,588
Trade receivables	11	**32,057**	426,056
Bills receivable	11	**18,157**	96,221
Prepayments, deposits and other receivables		**360,204**	518,866
Tax recoverable		**14,464**	14,464
Pledged deposits		**8,826**	252,142
Cash and cash equivalents		**82,340**	317,357
Total current assets		**1,312,312**	2,851,694
CURRENT LIABILITIES			
Trade payables	12	**3,675**	203,855
Deposits received, other payables and accruals		**206,991**	207,716
Bank advance for discounted bills	11	**20,805**	94,967
Interest-bearing bank borrowings		**354,548**	822,960
Due to a related party		**160**	–
Due to directors		**48,827**	124,904
Tax payable		**219,629**	215,433
Total current liabilities		**854,635**	1,669,835
NET CURRENT ASSETS		**457,677**	1,181,859
Net assets		**503,986**	1,233,612
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	13	**135,475**	135,475
Reserves		**369,166**	1,098,108
		504,641	1,233,583
Non-controlling interests		**(655)**	29
Total equity		**503,986**	1,233,612

Notes:

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 September 2007. The registered office of the Company is located at the office of Codan Trust Company (Cayman) Limited, whose address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at 27th Floor, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong.

The Group is principally engaged in the distribution of Wuliangye (五糧液) liquor series, National Cellar 1573 baijiu with 43% alcohol content, Kweichow Moutai Chiew products, Fen Wine with 55% alcohol content liquor series, Yaxi Classic liquor series and Old Vintage liquor series, wine, foreign liquor series and Chinese cigarettes.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention. They are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

The Group recorded revenue and a consolidated net loss of HK$489,133,000 (2013: HK$390,189,000) and HK$788,040,000 (2013: HK$1,133,962,000), respectively, for the year ended 31 March 2014. The Group's net loss for the year included (i) impairment allowance on trade and bills receivables, net amounting to HK$193,824,000 (2013: HK$513,033,000); (ii) impairment allowance on prepayments and other receivables, net amounting to HK$40,217,000 (2013: HK$8,134,000); (iii) provision for inventories in respect of write-down to net realisable value amounting to HK$174,535,000 (2013: HK$103,293,000); and (iv) share option expense amounting to HK$33,051,000 (2013: HK$63,319,000). These non-cash items had not affected the Group's operating cash flows. The Group had net cash inflows from operating activities of approximately HK$141,898,000 (2013: net cash outflows of HK$711,218,000) and net cash outflows used in financing activities of approximately HK$618,491,000 (2013: net cash inflows of approximately HK$1,141,838,000) for the year ended 31 March 2014.

As at 31 March 2014, the Group recorded net current assets of HK$457,677,000 (2013: HK$1,181,859,000), which included inventories of HK$796,264,000 (2013: HK$1,226,588,000), trade receivables of HK$32,057,000 (2013: HK$426,056,000), pledged deposits of HK$8,826,000 (2013: HK$252,142,000), cash and cash equivalents of HK$82,340,000 (2013: HK$317,357,000), and outstanding bank loans of HK$354,548,000 (2013: HK$822,960,000), which were due for repayment or renewal within the next twelve months after 31 March 2014.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(1) *Bank facilities*

The Group will actively negotiate with banks in the People's Republic of China ("PRC") for the renewal of the Group's PRC bank borrowings when they fall due to secure necessary facilities to meet the Group's working capital and financial requirements in the near future. The directors of the Company have evaluated all the relevant facts available to them and are of the opinion that there have good track records or relationships with banks which will enhance the Group's ability to renew the Group's PRC bank loans upon expiry.

(2) *Financial support from a substantial shareholder of the Company*

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, Mr. Liang Guoxing ("Mr. Liang"), an executive director and a substantial shareholder of the Company, has agreed to provide continuous financial support to the Group.

(3) *Attainment of profitable and positive cash flow operations*

The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with the aim to attain profitable and positive cash flow operations.

In addition, the Group will actively expand its middle to low-end product lines for the existing national brand in order to enhance market position in the baijiu industry and diversify sources of revenue.

After taking into account the above measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any future liabilities which might arise. The effect of these adjustments has not been reflected in these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/(accumulated loss), as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 13 and amendments to HKAS 1, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

    As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

    The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 April 2013.

(b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

(c) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

(i) the distribution of Wuliangye liquor series, National Cellar 1573 baijiu with 43% alcohol content, Kweichow Moutai Chiew products, Fen Wine with 55% alcohol content liquor series, Yaxi Classic liquor series and Old Vintage liquor series, wine and foreign liquor series ("Liquors");

(ii) the distribution of Chinese cigarettes ("Cigarettes"); and

(iii) the investment in a residential apartment for its rental income potential ("Property investment").

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, other gains and finance costs are excluded from such measurement.

Year ended 31 March 2014

	Liquors *HK$'000*	Cigarettes *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	**470,121**	**19,012**	**–**	**489,133**
Other revenue	**–**	**–**	**46**	**46**
Total	**470,121**	**19,012**	**46**	**489,179**
Segment results	**(750,730)**	**(1,602)**	**(270)**	**(752,602)**
Reconciliation:				
Interest income				**5,115**
Other gains				**257**
Finance costs				**(40,374)**
Loss before tax				**(787,604)**
Other segment information:				
Depreciation	**9,523**	**184**	**209**	**9,916**
Loss on disposal of items of property, plant and equipment	**553**	**–**	**–**	**553**
Impairment allowance of trade receivables	**437,411**	**–**	**–**	**437,411**
Impairment allowance of bills receivable	**7,161**	**–**	**–**	**7,161**
Write-back of impairment allowance of trade receivables	**(250,748)**	**–**	**–**	**(250,748)**
Impairment allowance of prepayments and other receivables	**53,720**	**–**	**–**	**53,720**
Write-back of impairment allowance of prepayments and other receivables	**(13,503)**	**–**	**–**	**(13,503)**
Provision for inventories in respect of write-down to net realisable value	**174,535**	**–**	**–**	**174,535**
Capital expenditure*	**5,551**	**48**	**–**	**5,599**

* Capital expenditure consists of additions to items of property, plant and equipment.

Year ended 31 March 2013

	Liquors	Cigarettes	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	355,574	34,615	–	390,189
Other revenue	–	–	43	43
Total	355,574	34,615	43	390,232
Segment results	(1,093,402)	(17,540)	(216)	(1,111,158)
Reconciliation:				
Interest income				2,327
Other gains				1,684
Finance costs				(26,391)
Loss before tax				(1,133,538)
Other segment information:				
Depreciation	7,413	606	210	8,229
Loss on disposal of items of property, plant and equipment	278	–	–	278
Impairment allowance of trade receivables	507,585	–	–	507,585
Impairment allowance of bills receivable	5,448	–	–	5,448
Write-off of trade receivables	148,458	–	–	148,458
Impairment allowance of other receivable	8,134	–	–	8,134
Provision for inventories	103,293	–	–	103,293
Reversal of impairment of intangible asset	(900)	–	–	(900)
Capital expenditure*	21,186	2,789	–	23,975

* Capital expenditure consists of additions to items of property, plant and equipment.

Geographical information

	Hong Kong	Mainland China	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2014				
Revenue from external customers*	**409,339**	**78,185**	**1,609**	**489,133**
Non-current assets**	**27,416**	**11,786**	**–**	**39,202**
Year ended 31 March 2013				
Revenue from external customers*	163,633	223,268	3,288	390,189
Non-current assets**	31,525	12,327	–	43,852

* The revenue information is based on the locations of the customers.

** The non-current assets information is based on the locations of the assets and excludes financial instruments.

Information about major customers

Revenues from two major customers of approximately HK$224,632,000 and HK$116,140,000 respectively for the year ended 31 March 2014 were derived from sales by the Liquors segment and the Cigarettes segment, including sales to two entities which are known to be under common control of one major customer.

Revenues from two major customers of approximately HK$128,000,000 and HK$78,793,000 respectively for the year ended 31 March 2013 were derived from sales by the Liquors segment.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's other income and gains, net is as follows:

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**5,115**	2,327
Gross rental income	**46**	43
Foreign exchange differences, net	**1,068**	993
Others	**257**	1,684
	6,486	5,047

6. FINANCE COSTS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Interest on discounted bills	**–**	4,802
Interest on bank and other loans and trust receipt loans wholly repayable within five years	**40,374**	21,589
	40,374	26,391

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold**	**477,747**	254,594
Depreciation:		
Property, plant and equipment	**9,707**	8,019
Investment property	**209**	210
	9,916	8,229
Minimum lease payments under operating leases	**65,516**	61,630
Loss on disposal of items of property, plant and equipment	**553**	278
Impairment allowance of trade receivables*	**437,411**	507,585
Impairment allowance of bills receivable*	**7,161**	5,448
	444,572	513,033
Write-back of impairment allowance of trade receivables*	**(250,748)**	–
Write-off of trade receivables*	**–**	148,458
Impairment allowance of prepayments and other receivables*	**53,720**	8,134
Write-back of impairment allowance of prepayments and other receivables*	**(13,503)**	–
Provision for inventories in respect of write-down to net realisable value**	**174,535**	103,293
Reversal of impairment of intangible asset*	**–**	(900)
Auditors' remuneration	**2,650**	2,250
Employee benefit expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	**91,655**	126,731
Pension scheme contributions	**5,635**	7,305
Equity-settled share option expense	**33,051**	63,319
	130,341	197,355
Direct operating expenses (including repairs and maintenance) arising on a rental-earning investment property	**107**	50

* Included in "Loss from impairment/write-off, net" on the face of the consolidated statement of profit or loss.

** Included in "Cost of sales" on the face of the consolidated statement of profit or loss.

The employee benefit expense (including directors' remuneration) includes housing benefit with aggregate rentals of HK$7,492,000 (2013: HK$7,345,000), which is also included in the total amount disclosed separately above.

At 31 March 2014, the Group had no forfeited contributions available to reduce its contribution to the pension schemes in future years (2013: Nil).

8. INCOME TAX

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	2014	2013
	HK$'000	*HK$'000*
Group:		
Current – Elsewhere		
Charge for the year	**436**	2
Underprovision in prior years	**–**	703
Deferred	**–**	(281)
Total tax charge for the year	**436**	424

9. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividend paid during the year:		
Final dividend for 2013: Nil		
(2013: Final dividend for 2012 – HK$0.05 per ordinary share)	**–**	59,500
Dividend proposed:		
Final dividend: Nil (2013: Nil)	**–**	–

The Directors do not recommend the payment of any dividend for the year ended 31 March 2014.

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$787,356,000 (2013: HK$1,133,325,000), and the number of ordinary shares of 1,354,749,997 (2013: the weighted average number of ordinary shares of 1,244,900,682) in issue during the year.

The weighted average number of ordinary shares for the year ended 31 March 2013 for the purpose of calculating basic loss per share amount has been adjusted for the bonus share issue on the basis that one bonus share for every forty existing ordinary shares held by the Company's shareholders which took place on 31 August 2012.

No adjustment has been made to the basic loss per share amount presented for the years ended 31 March 2014 and 31 March 2013 in respect of a dilution as the share options outstanding had no dilutive effect on basic loss per share amount presented for the years ended 31 March 2014 and 31 March 2013.

11. TRADE AND BILLS RECEIVABLES

	Group	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**611,881**	968,673
Impairment allowance	**(579,824)**	(542,617)
	32,057	426,056
Bills receivable	**30,766**	101,669
Impairment allowance	**(12,609)**	(5,448)
	18,157	96,221
	50,214	522,277

The Group normally allows a credit period of not more than 3 months to its customers except for certain identified major customers where longer credit terms may be granted upon approval by the management. The credit terms of bills receivable are generally 2 months to 6 months. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Over 61% (2013: 81%) of the trade and bills receivables balance represented receivables from five customers. The Group does not hold any collateral or other credit enhancement over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 2 months	**22,517**	93,029
2 months to 6 months	**3,048**	8,233
6 months to 1 year	**–**	30,199
Over 1 year	**24,649**	390,816
	50,214	522,277

Included in the above trade and bills receivables as at 31 March 2014, amounts totalling HK$20,805,000 (2013: HK$94,967,000) were discounted to banks in exchange for cash and included as "Bank advance for discounted bills" on the face of the consolidated statement of financial position.

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**–**	98,588
1 month to 3 months	**–**	–
Over 3 months	**3,675**	105,267
	3,675	203,855

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

13. SHARE CAPITAL

	2014	2013
	HK$'000	*HK$'000*
Authorised:		
100,000,000,000 (2013: 100,000,000,000) ordinary shares of HK$0.1 each	**10,000,000**	10,000,000
Issue and fully paid:		
1,354,749,997 (2013: 1,354,749,997) ordinary shares of HK$0.1 each	**135,475**	135,475

A summary of the movements in the Company's issued share capital is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
1 April 2012		1,190,000,000	119,000	237,878	356,878
Issue of bonus shares	(a)	29,749,997	2,975	(2,975)	–
Placement of new shares	(b)	135,000,000	13,500	317,250	330,750
		164,749,997	16,475	314,275	330,750
Share issue expenses		–	–	(7,505)	(7,505)
Final 2012 dividend		–	–	(59,500)	(59,500)
As 31 March 2013, 1 April 2013 and 31 March 2014		1,354,749,997	135,475	485,148	620,623

Notes:

(a) On 26 June 2012, the board of directors of the Company proposed to make to the shareholders of the Company whose names appear on the register of members of the Company on the record date of 27 August 2012 (the "Record Date") on the basis of one bonus share for every forty existing ordinary shares held by the Company's shareholders (the "Bonus Issue") by capitalising the share premium of the Company. The Bonus Issue was approved by the Company's shareholders on 20 August 2012. Based on a total of 1,190,000,000 shares in issue and on the basis of one bonus share for every forty existing ordinary shares held by the Company's shareholders on the Record Date, 29,749,997 bonus shares were issued by the Company on 31 August 2012.

(b) On 19 January 2013, Yinji Investments Limited ("Yinji"), a shareholder of the Company, entered into a placing and subscription agreement with the Company and a placing agent, pursuant to which Yinji has agreed to place 135,000,000 existing shares of the Company of HK$0.1 each through the placing agent to certain independent third parties and Yinji has agreed to subscribe for 135,000,000 new shares of the Company of HK$0.1 each, at the subscription price of HK$2.45 per share.

On 23 January 2013, 135,000,000 shares of HK$0.1 each were issued for cash at a subscription price of HK$2.45 per share pursuant to the placing and subscription agreement dated 19 January 2013 for a total cash consideration, before related expenses, of HK$330,750,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year ended 31 March 2014, the Group recorded a total revenue of HK$489.1 million (2013: HK$390.2 million), representing an increase of 25.4% compared to last year. The loss for the year attributable to ordinary equity holders of the Company was HK$787.4 million (2013: HK$1,133.3 million). Basic loss per ordinary share for the year was HK$0.5812, as compared with basic loss per ordinary share of HK$0.9104 of last year.

For the year ended 31 March 2014, revenue derived from the People's Republic of China (the "PRC") market accounted for 16.0% of the Group's total revenue (2013: 57.2%), while revenue from the international market accounted for 84.0% of the total revenue (2013: 42.8%).

Baijiu Business

During the year under review, affected by the continuous impact of China's economic slowdown and a number of frugality policies enforced by the Chinese government, the China's baijiu industry, especially the high-end baijiu sector continued to adjust.

The adjustment of the baijiu industry began after the Chinese New Year in 2012, it has brought significant changes to the baijiu consumption pattern and market structure, which posed tremendous challenges to the business environment of the high-end baijiu sector. According to Ministry of Commerce of the PRC, the sales of high-end baijiu decreased by 7.2% in 2013 as compared to 2012 despite the overall baijiu industry in China recorded a year-on-year growth of 1.9% in 2013. At the same time, the problem of high inventory levels in the distribution channels resulted in a significant decline of retail prices of the high-end baijiu as compared to those in the previous years. This also adversely affected the Group's performance during the year under review, as the product portfolio of the Group was relatively concentrated in the high-end baijiu segment during the year under review.

Facing the great challenges as the result of the industry adjustment, the Group proactively introduced a number of adjustments during the year under review in the areas of product pricing, personnel structure, sales network and product structure, which brought positive effects to the sales of the Group during the year under review.

Firstly, the Group adjusted the prices of multiple products based on market condition in order to speed up sales. Secondly, the Group introduced a number of measures to streamline the sales system and organisational structure, in order to further improve the operational efficiency and reduce operational costs. During the year under review, the Group actively developed innovative sales models such as e-commerce in addition to the existing traditional sales network, to further expedite product sales. As the mass and commercial consumption has gradually become the primary support of the market during the adjustment over the past two years, the Group took great efforts in developing the middle and low-end product lines of the existing national brands. In addition to the development of the middle and low-end products under the brand of Guizhou Yaxi Cellar Liquors Distribution Co. Ltd., the Group also launched a series of Red Fen Shijia baijiu with Shanxi Xinghuacun Fenjiu Marketing Co. Ltd. to explore the market potentials in the mass and commercial markets. However, the middle and low-end products did not contribute substantially to the Group's revenue during the year under review as such products were only launched in the second half of the year under review.

Wine and Cigarette Businesses

During the year under review, the Group continued to develop the wine and cigarette businesses steadily. The Group has been closely monitoring changes in the market and adopted a pragmatic approach to map out the market plan of its wine business in order to explore business opportunities. Furthermore, the Group's business in Chinese brands cigarettes continued to contribute to the Group's revenue during the year under review.

E-commerce Business and Image Chain-Store

To better seize the opportunities of the emerging e-commerce market, the Group actively strengthened its sales capabilities in the e-commerce channels through the sales model of "online platform + TV shopping + offline sales" during the year under review. In addition to selling products through the online platforms such as Jingdong Mall, Taobao, Amazon and WeChat Mall, the Group joined forces with Zhongjiu Shidai Winery (Beijing) Co., Ltd. (中酒時代酒業(北京)有限公司) and further complemented the Group's distribution channels in e-commerce through the "Online-to-Offline" sales platform. Meanwhile, the Group actively expanded its e-commerce channels to TV shopping by cooperating with a number of renowned TV shopping channels including Hunan Happigo (湖南快樂購), Oigo (南方購物) and Shenzhen Eachome (深圳宜和購物) in order to further diversified its sales network and expedite product sales.

During the year under review, the Group consolidated certain resources after careful assessments on the operating performances of Wine Kingdom image stores operated by the Group and the image stores operated by the authorised distributors. As of 31 March 2014, there were a total of 390 Wine Kingdom image stores and authorised image stores, 5 of them are Wine Kingdom image stores. The Group reduced the Wine Kingdom physical stores substantially on the one hand and assigned its resources to the emerging businesses such as Wine Kingdom e-commerce business and Wine Kingdom WeChat virtual stores business on the other hand in order to adapt to the development in the future.

Use of Proceeds from Placement of Shares

On 21 January 2013, the Group made an announcement advising that the proceeds from the placement of shares would be used for future business development (including expansion of distribution network, strengthening of sales and marketing team, and enhancement of marketing promotion and communication functions) and potential acquisitions or investments, as well as for the purpose of general working capital. The Group confirms that the use of such proceeds during the year under review was in line with the statement made in the announcement.

Outlook and Future Development

Looking forward, the Group expects the adjustment in baijiu industry will continue. Nevertheless, with the steady growth of the economy of China and the continuous urbanisation, China's per capita income and living standard will continue to improve in the long run. The constant growth of the consumer sentiments and consumption power will become an important foundation for the sustainable development of the baijiu industry. Thus, the Group remains optimistic about the development of the baijiu industry.

Over the past year, the consumption of the high-end Chinese baijiu has become more rational. The retail prices also declined from an all-time high to a level acceptable to customer and it then maintained a steady trend. The Group believes the high-end baijiu will continue with the trend of the second half of the year under review and stabilise in face of the adjustment, maintaining a state of sensible development. Meanwhile, the Group also believes that after the substantial structural adjustment of the baijiu market over the past two years, the middle and low-end baijiu, with the support of the accelerating mass and commercial consumption, will continue the growth of last year and become the primary growth momentum for the future development of the baijiu industry. The gradual rationalisation of the baijiu industry will lay a solid foundation for the healthy and sustainable development of the distribution industry in the future.

The Group will continue to adopt a prudent and flexible business strategy to seize opportunities to enhance the Group's competitiveness and minimise the impact from the industry adjustment. Firstly, the Group will continue to strengthen the competitiveness of the existing products, and further optimise the product mix of the high, middle and low-end products according to the demands of the market and different consumer segments, thus reducing the impact of the in-depth adjustment in the high-end baijiu sector on the Group's sales performance and profitability. Secondly, the Group will further enhance its sales team, improve the penetration and expansion capabilities of its national distribution channels, and optimise channel development through further expansion of the e-commerce sales channels and exploration and development of a more diversified distribution channels. Lastly, the Group will continue to adopt prudent financial management and cost control polices, strengthen the internal control of the Company, and optimise management in every aspect to ensure effective allocation of resources and continuous improvement of operational efficiencies. Also, the Group will continue its effort in the active searching of investment opportunities in baijiu industry or targets of acquisition.

FINANCIAL REVIEW

Revenue and Gross Profit

The Group generates revenue primarily by selling high-end liquors. For the year ended 31 March 2014, the Group recorded a total revenue of HK$489.1 million, representing an increase of 25.4% compared to a total revenue of HK$390.2 million for the year ended 31 March 2013. For the year ended 31 March 2014, 16.0% of revenue was derived from the PRC market (2013: 57.2%).

The Group's revenue derived from the distribution of liquors represented 96.1% of the total revenue for the financial year 2014 (2013: 91.1%) while the revenue derived from the distribution of cigarettes represented 3.9% of the total revenue for the financial year 2014 (2013: 8.9%).

The Group's gross loss for the financial year 2014 was HK$163.1 million (2013: gross profit of HK$32.3 million). The decrease in gross profit was mainly due to the reduction of selling price and the provision for inventories in respect of write-down to net realisable value in accordance with the Group's plan to offer discount on certain products to enhance the clearance of the Group's inventories. Excluding the factor of provision for inventories, the Group's gross profit for the financial year 2014 was HK$11.4 million, the gross profit ratio before provision for inventories was 2.3% (2013: 34.8%).

Other Income and Gains, Net

Other income and gains, net amounted to HK$6.5 million for the financial year 2014 (2013: HK$5.0 million). Such increase was mainly due to the increase in bank interest income.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprise salaries and welfare related to sales and marketing personnel, advertising and promotional expenses, transportation costs, rental expenses and miscellaneous expenses related to sales.

Selling and distribution expenses amounted to HK$221.4 million (2013: HK$306.4 million) accounting for 45.3% (2013: 78.5%) of the revenue of the Group for the financial year 2014. Such decrease was mainly due to the decrease in sales and marketing personnel expenses and transportation expenses.

Administrative Expenses

Administrative expenses mainly comprised of salaries and welfare, office rental expenses, professional fees and other administrative expenses.

Administrative expenses amounted to HK$135.1 million (2013: HK$169.3 million) accounting for 27.6% (2013: 43.4%) of the revenue of the Group for the financial year 2014. Such decrease was mainly due to the decrease in management staff salaries and wages.

Loss from Impairment/Write-off, Net

Loss from impairment amounted to HK$234.0 million (2013: HK$668.7 million) for the financial year 2014. The loss from impairment mainly comprise impairment allowances of trade receivables, bills receivable, prepayments and other receivables, and write-off of trade receivables etc.

Finance Costs

Finance costs amounted to HK$40.4 million (2013: HK$26.4 million) representing 8.3% (2013: 6.8%) of the Group's revenue for the financial year 2014. The finance costs include interest on discounted bills, trust receipt loans and short-term bank and other loans. Such increase was mainly due to the increase in bank loan interest.

Income Tax Expense

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

Loss Attributable to Ordinary Equity Holders of the Company

Taking into account of the aforementioned, the loss attributable to ordinary equity holders of the Company for the year ended 31 March 2014 amounted to HK$787.4 million, as compared to a loss attributable to ordinary equity holders of the Company of HK$1,133.3 million in 2013.

Dividends

The Company do not pay any interim dividend during the financial year 2014.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2014.

Trade and Bills Receivables

The Group has adopted stringent credit policy. Generally, the customers of the Group shall settle payment obligations in cash or bank's acceptance bill issued by reputable banks before delivery of the goods. In prior year, the Group also granted a credit period of up to 1 year to some long-term or reliable customers.

The decrease in trade receivables was mainly due to the impairment of trade receivables.

All the Group's distributors have been selected after careful and serious consideration. They generally possess extensive distribution networks, considerable financial strengths and competitive market positions. After a careful assessment of the receivable balance's recoverability by taking into account of the current adverse operating environment, financial conditions of the distributors and aging of the balances, the Group recognised impairment allowance of HK$444.6 million, reversal of impairment losses of HK$250.8 million and written off as uncollectible of HK$149.5 million for certain trade and bills receivables in consolidated statement of profit or loss for the year ended 31 March 2014. Together with impairment of HK$548.1 million made up to the year ended 31 March 2013, total impairment in aggregate of HK$592.4 million had been made as at 31 March 2014.

As at 31 March 2014, the trade and bills receivables net of provision were HK$50.2 million (31 March 2013: HK$522.3 million). 44.8% of the net trade and bills receivables were within two months as at 31 March 2014 (31 March 2013: 17.8%). All bills receivables were issued and accepted by banks.

In the current period, no improvement of the operating environment of high-end baijiu market in the PRC led to the decline in repayment capability of certain customers of the Group who have requested postponement in payment because of their accumulated inventories. Taking into account of the current market conditions and the repayment pattern of the Group's customers during the current period, the Group has further provided impairment provision on the long overdue trade receivables during the current period.

The Group will continue to adopt stringent credit control policy and will apply the following measures to manage and enhance the recoverability of the Group's trade and bills receivables:

(i) close and continuous communication and cooperation between the distributors and our sales managers in strengthening the sales channels and marketing strategies of the Group, which enables clearance of their accumulated inventories and settlements to the Group;

(ii) general assessment on the distributors' financial position before supply of products;

(iii) regular visit and meeting with distributors to discuss about their repayment schedules;

(iv) strengthen the relationships with distributors to better understand their current situation; and

(v) close monitoring of the credit exposure of the Group's distributors and where necessary, entering into of repayment schedule agreement with individual distributors.

Up to the date of this announcement, the Group's subsequent settlement of the trade and bills receivables was approximately HK$35.0 million.

Trade Payables

As at 31 March 2014, the trade payables was HK$3.7 million (31 March 2013: HK$203.9 million). Such decrease was mainly due to settlement of trade payables by the Group during the year.

Inventories

As at 31 March 2014, the Group's inventories was HK$796.3 million (31 March 2013: HK$1,226.6 million). Such decrease was mainly due to the provision for inventories in respect of write-down to net realisable value of HK$174.5 million after taking into account of the Group's plan to offer discount on certain products to enhance the clearance of the Group's inventories. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The Group will introduce business plan, including discount sales activities in order to stimulate the Group's sales, to speed up the inventory movement and to improve the cash inflow of the Group.

Liquidity and Financial Resources

As at 31 March 2014, the Group had cash and cash equivalents of HK$82.3 million (31 March 2013: HK$317.4 million). The decrease in cash and cash equivalents was mainly due to the settlement of trade payables, repayment of bank loans and amounts due to directors. As at 31 March 2014, the Group's net current assets were HK$457.7 million (31 March 2013: HK$1,181.9 million).

Capital Structure of the Group

The Group's bank loan denominated in United States dollars bore interest at a rate of LIBOR + 3.5% per annum and would be repayable in April 2014. As at 31 March 2014, the Group's bank loan of HK$7.8 million was secured by the Group's pledged bank deposit of HK$8.8 million, and was supported by a guarantee provided by a bank in Mainland China.

The Group's bank loans denominated in RMB were unsecured, bore interest at rates ranging from 110% of PBOC to 120% of PBOC per annum and would be repayable between April 2014 and November 2014. As at 31 March 2014, the Group's bank loans were supported by corporate guarantees executed by the Company, a subsidiary of the Company, a related company of the Group, which is beneficially owned by Mr. Liang, and an independent private company established in the PRC.

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars and RMB. Revenue derived and operating expenses incurred by the Group's subsidiaries in the PRC are mainly denominated in RMB. The Directors consider that a reasonably possible annual change of 5% in the exchange rate between Hong Kong dollars and RMB would have no material impact on the Group's results and therefore hedging through the use of derivative instruments is considered unnecessary.

The funding and treasury policies of the Group are centrally managed and controlled by the senior management in Hong Kong. The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group also ensures the availability of the bank credit facilities to address any short term funding requirements. The Group's cash and bank balances are placed with reputable financial institutions.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank borrowings, trade payables, deposits received, other payables and accruals, bank advance for discounted bills and amounts due to a related party and directors less cash and cash equivalents. Total capital represents equity attributable to the ordinary equity holders of the Company. As at 31 March 2014, the gearing ratio was 52.3% (31 March 2013: 48.0%).

Employment and Remuneration Policy

The Group had a total work force of 244 employees in Hong Kong and the PRC as at 31 March 2014 (2013: 493 employees). The Group has implemented the remuneration policy, bonus and share option scheme based on the achievements and performance of employees. The Group has also participated in the mandatory provident fund scheme in Hong Kong and the state managed retirement benefit scheme in the PRC. The Group continues to provide training courses for its staff to enable them to achieve self-improvement and to enhance their skill and knowledge.

Share Option Scheme

On 20 February 2009, the Company approved and adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the growth of the Group. Eligible participants of the Share Option Scheme include, but not limited to, employees, Directors and any other eligible persons.

On 3 August 2012, 113,540,000 share options at an exercise price of HK$3.18 per share was granted to certain directors and employees of the Group under the Share Option Scheme. Due to the bonus shares issued by the Company on 31 August 2012, the exercise price of the outstanding share options granted under the Share Option Scheme and the number of shares to be allotted and issued upon full exercise of the outstanding share options were adjusted to HK$3.102 per share and 116,378,500 shares respectively with effect from 31 August 2012. As at 31 March 2014, the Company had 75,583,500 (2013: 116,378,500) outstanding share options. During the year, 40,795,000 share options were lapsed and no share option was granted, exercised or cancelled.

LITIGATION

In December 2013, one distributor of the Group (the "Plaintiff") filed a claim to a District People's Court in the PRC (the "PRC Court") against one of the Group's subsidiaries in the PRC in relation to the Group's obligation to buy back certain inventories from the Plaintiff (the "Claim"). The Plaintiff demanded the purchase consideration and related compensation from the Group of RMB20.1 million (equivalent to HK$25.3 million) in total. At the date of approval of these financial statements, the proceeding is at an early stage and the court hearing date has not been fixed. With reference to the advice from the Group's legal counsel, the directors of the Company are in the opinion that the Group has grounds to contest the Claim and because the above legal case was in its preliminary stage of legal process, the outcome of the legal case and the amount of penalties required could not be predicted and measured with sufficient reliability at the moment. Accordingly, no provision regarding liabilities arising therefrom had been made by the Group in these financial statements as at 31 March 2014.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of independent auditors' report issued by the Group's independent auditors:

"**OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our conclusion, we draw attention to note 2.1 to the consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK$788,040,000 during the year ended 31 March 2014, and the Group had net cash inflows from operating activities of approximately HK$141,898,000 and net cash outflows used in financing activities of approximately HK$618,491,000. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As explained in note 2.1 to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to extend its short-term borrowings upon maturity, source additional debt financing and refinance its existing indebtedness; and to improve its operation to generate adequate cash flows to meet the Group's financial obligations as and when they fall due in the foreseeable future."

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 March 2014, except for the following deviations:

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Liang Guoxing ("Mr. Liang") currently serves as the chairman and the chief executive officer of the Company. The Board believes that such arrangement is in the best interest of the Company and the Shareholders as a whole since Mr. Liang has substantial experience in sales of Chinese liquor in the PRC market and will strengthen the Group's sales and marketing capabilities. Notwithstanding the above, the Board meets regularly to consider matters relating to business operations of the Group. The Board is of the view that this arrangement will not impair the balance of power and authority of the Board and the executive management of the Company. The effectiveness of corporate planning and implementation of corporate strategies and decisions will not be affected.

Under code provision C.1.2, the management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The provision of the updates to all members of the Board was delayed by the management during the period under review. The management has undertaken to the Board that they would ensure the compliance with this code provision in the future.

COMPLIANCE WITH VARIOUS LISTING RULES

Following the resignation of Mr. Zhang Min as an independent non-executive Director of the Company with effect from 1 April 2014, the number of independent non-executive Directors falls below the minimum number as required under Rule 3.10(1) of the Listing Rules and the number of independent non-executive Directors on the Board represents less than one-third of the members of the Board as required under Rule 3.10A of the Listing Rules. In addition, the number of members of the audit committee and the remuneration committee of the Company fall short of the requirements under Rule 3.21 and Rule 3.25 of the Listing Rules, and fall below the minimum number required under the terms of reference of the audit committee and the remuneration committee of the Company.

Following the appointment of Dr. Lee Kwok Keung Edward as an independent non-executive Director and a member of the audit committee and remuneration committee of the Company on 24 June 2014, the Company has re-complied with the requirements of Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules as well as the terms of reference of the audit committee and the remuneration committee of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions.

Having made specific enquires, all Directors confirmed that they have complied with the standards set out in the Model Code during the year ended 31 March 2014.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently comprises three members, all of whom are independent non-executive Directors, namely Mr. Hung Sui Kwan who possesses professional accounting qualifications, Mr. Ma Lishan and Dr. Lee Kwok Keung Edward. Mr. Hung Sui Kwan is the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference in line with the Corporate Governance Code issued by the Stock Exchange. The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and has the authority to raise questions regarding the resignation or dismissal of the auditors and review of the Group's financial information and oversight of the Group's financial reporting systems, internal control procedures and risk management frameworks. The Audit Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval.

The Audit Committee has reviewed with the management, and discussed with the Company's external auditors, the consolidated financial statements of the Company for the year ended 31 March 2014 including the accounting principles and practices adopted by the Group.

COMPLIANCE COMMITTEE

The compliance committee of the Company (the "Compliance Committee") currently comprises four members, three of them are independent non-executive Directors, namely Mr. Hung Sui Kwan, Mr. Ma Lishan, Dr. Lee Kwok Keung Edward and Ms. Cheung Mei Sze, an executive Director, Mr. Hung Sui Kwan is the chairman of the Compliance Committee.

The Compliance Committee has reviewed the confirmation given by Mr. Liang and Yinji Investments Limited of their compliance with the deed of non-competition undertaking as disclosed in the prospectus of the Company dated 30 March 2009.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the year ended 31 March 2014.

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("Annual General Meeting") will be held in Hong Kong on Friday, 22 August 2014. Notice of the Annual General Meeting will be issued and despatched to the Shareholders in due course.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 March 2014 (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 20 August 2014 to Friday, 22 August 2014, both dates inclusive, during which period no transfer of share(s) will be effected, for the purpose of determining Shareholders who are entitled to attend and vote at the Annual General Meeting. In order to qualify for attending and voting at the Annual General Meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 19 August 2014.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.silverbasegroup.com). The annual report for the year ended 31 March 2014 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the aforesaid websites in due course.

By Order of the Board
Silver Base Group Holdings Limited
Liang Guoxing
Chairman

Hong Kong, 27 June 2014

As at the date of this announcement, the Board comprises Mr. Liang Guoxing (Chairman), Mr. Wang Jindong and Ms. Cheung Mei Sze as executive Directors; Mr. Wu Jie Si, Mr. Chen Sing Hung Johnny and Mr. Joseph Marian Laurence Ozorio as non-executive Directors; and Mr. Hung Sui Kwan, Mr. Ma Lishan and Mr. Lee Kwok Keung Edward as independent non-executive Directors.

This announcement is prepared in both English and Chinese. In the event of inconsistency, the English text of this announcement shall prevail over the Chinese text.