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 2015

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$418.9 million
- Gross profit was approximately HK$82.7 million
- Loss for the year attributable to ordinary equity holders of the Company was approximately HK$19.1 million
- Loss per share was approximately HK$0.0141
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2015

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 2015, together with the comparative figures for the previous year in 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
REVENUE	5	**418,865**	489,133
Cost of sales		**(336,182)**	(652,282)
Gross profit/(loss)		**82,683**	(163,149)
Other income and gains, net	5	**1,084**	6,486
Selling and distribution expenses		**(180,141)**	(221,399)
Administrative expenses		**(110,719)**	(135,127)
Write-back of impairment/ (impairment), net		**170,948**	(234,041)
Finance costs	6	**(30,808)**	(40,374)
LOSS BEFORE TAX	7	**(66,953)**	(787,604)
Income tax credit/(expense)	8	**47,516**	(436)
LOSS FOR THE YEAR		**(19,437)**	(788,040)
ATTRIBUTABLE TO:			
ORDINARY EQUITY HOLDERS OF THE COMPANY		**(19,098)**	(787,356)
NON-CONTROLLING INTERESTS		**(339)**	(684)
		(19,437)	(788,040)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	10	**(1.41)**	(58.12)

* Details of the dividends are disclosed in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2015

	2015	2014
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(19,437)**	(788,040)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified/ reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,093**	25,363
Realisation of exchange fluctuation reserve upon dissolution of subsidiaries	**150**	–
Net other comprehensive income to be reclassified/reclassified to profit or loss in subsequent periods	**1,243**	25,363
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,243**	25,363
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(18,194)**	(762,677)
ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE COMPANY	**(17,855)**	(761,993)
NON-CONTROLLING INTERESTS	**(339)**	(684)
	(18,194)	(762,677)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**12,829**	23,982
Investment property		**6,711**	6,920
Intangible asset		**8,300**	8,300
Deposits		**3,277**	7,107
Total non-current assets		**31,117**	46,309
CURRENT ASSETS			
Inventories		**758,305**	796,264
Trade receivables	11	**1,155**	32,057
Bills receivable	11	**74,613**	18,157
Prepayments, deposits and other receivables		**366,263**	360,204
Tax recoverable		**–**	14,464
Pledged deposit		**15,150**	8,826
Cash and cash equivalents		**170,058**	82,340
Total current assets		**1,385,544**	1,312,312
CURRENT LIABILITIES			
Trade payables	12	**3,857**	3,675
Deposits received, other payables and accruals		**168,254**	206,991
Bank advance for discounted bills		**73,540**	20,805
Interest-bearing bank and other borrowings		**453,897**	354,548
Due to related parties		**4,313**	160
Due to directors		**28,872**	48,827
Tax payable		**171,954**	219,629
Total current liabilities		**904,687**	854,635
NET CURRENT ASSETS		**480,857**	457,677
Net assets		**511,974**	503,986
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	13	**134,921**	135,475
Reserves		**378,047**	369,166
		512,968	504,641
Non-controlling interests		**(994)**	(655)
Total equity		**511,974**	503,986

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, Red Fen Shijia 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 which, because the Company has not early adopted the revised Rules Governing the Listing of Securities (the "**Listing Rules**") issued by the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), are those of the predecessor Hong Kong Companies Ordinance (Cap. 32). They have been prepared under the historical cost convention. These financial statements 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$418,865,000 (2014: HK$489,133,000) and HK$19,437,000 (2014: HK$788,040,000), respectively, for the year ended 31 March 2015. Excluding the write-back of impairment, net of HK$170,948,000, the Group recorded a consolidated net loss of HK$190,385,000 for the year, which included (i) provision for inventories in respect of write-down to net realisable value amounting to HK$21,517,000 (2014: HK$174,535,000); and (ii) share option expense amounting to HK$31,796,000 (2014: HK$33,051,000). These non-cash items had not affected the Group's operating cash flows. The Group had net cash outflows used in operating activities of approximately HK$35,782,000 (2014: net cash inflows of approximately HK$141,898,000) and net cash outflows used in investing activities of approximately HK$7,281,000 (2014: net cash inflows of approximately HK$239,903,000) for the year ended 31 March 2015.

As at 31 March 2015, the Group recorded net current assets of HK$480,857,000 (2014: HK$457,677,000), which included inventories of HK$758,305,000 (2014: HK$796,264,000), trade receivables of HK$1,155,000 (2014: HK$32,057,000), pledged deposit of HK$15,150,000 (2014: HK$8,826,000), cash and cash equivalents of HK$170,058,000 (2014: HK$82,340,000), and outstanding bank and other loans of HK$453,897,000 (2014: HK$354,548,000), which were due for repayment or renewal within the next twelve months after 31 March 2015.

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*

Subsequent to 31 March 2015, in April 2015, the Group has successfully obtained a new short-term bank loan of RMB235 million (equivalent to approximately HK$295 million) from a bank in the People's Republic of China ("**PRC**"), of which RMB55 million (equivalent to HK$69 million) will be due for repayment within twelve months from the end of the reporting period, for the Group's partial repayment of short-term bank loans of RMB240 million (equivalent to approximately HK$303 million) due in April 2015. In addition, in May 2015, the Group has successfully obtained a new bank loan of RMB20 million (equivalent to approximately HK$25 million) from another PRC bank, which will be due for repayment within twelve months from the end of the reporting period.

The Group will actively negotiate with the PRC banks 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 a good track record or relationship with the banks which will enhance the Group's ability to renew the Group's PRC bank loans upon expiry.

(2) *Fund raising activities*

The Group will actively seek opportunities to carry out fund raising activities including but not limited to issuance of bonds as alternative sources of funding. Subsequent to the end of the reporting period, the Group has issued unlisted bonds with an aggregate principal amount of HK$10,000,000 for the Group's working capital.

(3) *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.

(4) *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 2015. 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 losses), 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 revised standards and a new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27(2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on 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, Red Fen Shijia 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 2015

	Liquors	Cigarettes	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	**398,928**	**19,937**	**–**	**418,865**
Other revenue	**–**	**–**	**48**	**48**
Foreign exchange gains, net	**405**	**5**	**–**	**410**
Total	**399,333**	**19,942**	**48**	**419,323**
Segment results	**(32,230)**	**(4,317)**	**(224)**	**(36,771)**
Reconciliation:				
Interest income				**431**
Other gains				**195**
Finance costs				**(30,808)**
Loss before tax				**(66,953)**
Other segment information:				
Depreciation	**13,708**	**1,126**	**209**	**15,043**
Loss on disposal of items of property, plant and equipment	**22**	**–**	**–**	**22**
Impairment allowance of trade receivables	**504**	**–**	**–**	**504**
Write-back of impairment allowance of trade receivables	**(152,003)**	**–**	**–**	**(152,003)**
Write-back of impairment allowance of bills receivable	**(7,054)**	**–**	**–**	**(7,054)**
Impairment allowance of prepayments and other receivables	**240**	**–**	**–**	**240**
Write-back of impairment allowance of prepayments and other receivables	**(12,635)**	**–**	**–**	**(12,635)**
Provision for inventories in respect of write-down to net realisable value	**21,517**	**–**	**–**	**21,517**
Capital expenditure*	**3,370**	**320**	**–**	**3,690**

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

Year ended 31 March 2014

	Liquors	Cigarettes	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	470,121	19,012	–	489,133
Other revenue	–	–	46	46
Foreign exchange gains, net	1,003	65	–	1,068
Total	471,124	19,077	46	490,247
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.

Geographical information

	Hong Kong	Mainland China	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015				
Revenue from external customers*	**175,833**	**241,940**	**1,092**	**418,865**
Non-current assets**	**19,736**	**8,104**	**–**	**27,840**
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

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

** The non-current asset 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$123,588,000 (2014: HK$224,632,000) and HK$55,191,000 (2014: HK$15,216,000) respectively for the year ended 31 March 2015 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$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.

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:

	2015	2014
	HK$'000	*HK$'000*
Bank interest income	**431**	5,115
Gross rental income	**48**	46
Foreign exchange gains, net	**410**	1,068
Others	**195**	257
	1,084	6,486

6. FINANCE COSTS

	Group 2015 HK$'000	2014 HK$'000
Interest on discounted bills	**3,511**	–
Interest on bank and other loans and trust receipt loans wholly repayable within five years	**26,982**	40,374
Others	**315**	–
	30,808	40,374

7. LOSS BEFORE TAX

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

	Note	**2015** *HK$'000*	2014 *HK$'000*
Cost of inventories sold**		**314,665**	477,747
Depreciation:			
Property, plant and equipment		**14,834**	9,707
Investment property		**209**	209
		15,043	9,916
Minimum lease payments under operating leases		**52,694**	65,516
Loss on disposal of items of property, plant and equipment		**22**	553
Loss on dissolution of subsidiaries		**150**	–
Impairment allowance of trade receivables*		**504**	437,411
Impairment allowance of bills receivable*		**–**	7,161
	11	**504**	444,572
Write-back of impairment allowance of trade receivables*		**(152,003)**	(250,748)
Write-back of impairment allowance of bills receivable*		**(7,054)**	–
	11	**(159,057)**	(250,748)
Impairment allowance of prepayments and other receivables*		**240**	53,720
Write-back of impairment allowance of prepayments and other receivables*		**(12,635)**	(13,503)
Provision for inventories in respect of write-down to net realisable value**		**21,517**	174,535
Auditors' remuneration		**2,500**	2,650
Employee benefit expense (including directors' remuneration):			
Wages, salaries, allowances and benefits in kind		**65,537**	91,655
Pension scheme contributions		**4,303**	5,635
Equity-settled share option expense		**31,796**	33,051
		101,636	130,341
Direct operating expenses (including repairs and maintenance) arising on a rental-earning investment property		**63**	107

* Included in "Write-back of impairment/(impairment), 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$7,251,000 (2014: HK$7,492,000), which is also included in the total amount disclosed separately above.

At 31 March 2015, the Group had no forfeited contributions available to reduce its contribution to the pension schemes in future years (2014: 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 (2014: 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.

	2015	2014
	HK$'000	*HK$'000*
Group:		
Current – Elsewhere		
Charge for the year	**77**	436
Overprovision in prior years	**(47,593)**	–
Total tax charge/(credit) for the year	**(47,516)**	436

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 March 2015 (2014: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$19,098,000 (2014: HK$787,356,000), and the weighted average number of ordinary shares of 1,351,772,945 (2014: the number of ordinary shares of 1,354,749,997) in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the years ended 31 March 2015 and 31 March 2014 in respect of a dilution as the share options outstanding had no dilutive effect on the basic loss per share amount presented for the years ended 31 March 2015 and 31 March 2014.

11. TRADE AND BILLS RECEIVABLES

	Group	
	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**208,216**	611,881
Impairment allowance	**(207,061)**	(579,824)
	1,155	32,057
Bills receivable	**80,168**	30,766
Impairment allowance	**(5,555)**	(12,609)
	74,613	18,157
	75,768	50,214

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 6 months. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables as at 31 March 2015 relate to a number of diversified customers, there is no significant concentration of credit risk. In prior year, over 61% of the trade and bills receivables balance as at 31 March 2014 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	
	2015	2014
	HK$'000	*HK$'000*
Within 2 months	**38,471**	22,517
2 to 6 months	**37,180**	3,048
6 months to 1 year	**69**	–
Over 1 year	**48**	24,649
	75,768	50,214

Included in the above trade and bills receivables as at 31 March 2015, amounts totalling HK$73,540,000 (2014: HK$20,805,000) 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.

The movements in impairment allowance of trade and bills receivables are as follows:

	Group	
	2015	2014
	HK$'000	*HK$'000*
At beginning of the year	**592,433**	548,065
Impairment allowance recognised *(note 7)*	**504**	444,572
Impairment losses reversed *(note 7)**	**(159,057)**	(250,748)
Written off as uncollectible	**(221,264)**	(149,456)
At end of the year	**212,616**	592,433

* During the year ended 31 March 2015, the Group has bought back inventories from one distributor and the purchase consideration of HK$143 million (2014: HK$193 million) was offset with the Group's trade receivables due from this distributor which were previously impaired. Besides, during the year ended 31 March 2015 and up to the date of approval of these financial statements, settlements of HK$16 million (2014: HK$58 million) were received by the Group from a few distributors for the previously impaired trade and bills receivables of the same amount. As such, the related impairment allowance on these trade and bills receivables of approximately HK$159 million (2014: HK$251 million) in aggregate was reversed during the year ended 31 March 2015.

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	
	2015	2014
	HK$'000	*HK$'000*
1 month to 3 months	**716**	–
Over 3 months	**3,141**	3,675
	3,857	3,675

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

13. SHARE CAPITAL

	Note	**2015** **HK$'000**	2014 *HK$'000*
Authorised:			
100,000,000,000 (2014: 100,000,000,000) ordinary shares of HK$0.1 each		**10,000,000**	10,000,000
Issue and fully paid:			
1,349,205,997 (2014: 1,354,749,997) ordinary shares of HK$0.1 each	(a)	**134,921**	135,475

Note:

(a) During the year ended 31 March 2015, the Company repurchased 5,544,000 shares of its own ordinary shares on the Stock Exchange. All ordinary shares repurchased during the year ended 31 March 2015 were cancelled, and the issued share capital of the Company was reduced by the par value of the repurchased ordinary shares so cancelled.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year ended 31 March 2015, the Group recorded a total revenue of approximately HK$418.9 million (2014: HK$489.1 million), representing a decrease of approximately 14.4% compared to last year. Excluding the factor of provision for inventories, the Group's gross profit for the year ended 31 March 2015 was approximately HK$104.2 million (2014: HK$11.4 million), the gross profit ratio before provision for inventories was approximately 24.9% (2014: 2.3%). The loss for the year attributable to ordinary equity holders of the Company was approximately HK$19.1 million (2014: HK$787.4 million). Basic loss per ordinary share for the year was approximately HK$0.0141 (2014: HK$0.5812).

For the year ended 31 March 2015, revenue derived from the People's Republic of China (the "**PRC**") market accounted for approximately 57.8% of the Group's total revenue (2014: 16.0%), while revenue from the international market accounted for approximately 42.2% of the total revenue (2014: 84.0%).

Baijiu Business

During the year under review, baijiu's consumption pattern and behaviour have resumed to a normal and rational state after the industry adjustments in the past three years. The industry's operation environment showed signs of improvement and recovery, and the overall business environment has become stable.

According to the National Bureau of Statistics, the annual income of catering industry for the year 2014 was RMB2,786.0 billion, representing a year-on-year increase of 0.7% over 2013 to 9.7%. Affected by the industry adjustment and a number of frugality policies enforced by the PRC government, the income growth of catering industry in China decreased by 3.3% and 4.6% in 2012 and 2013 respectively. In 2014, the income growth of catering industry in China recovered from a declining trend for the first time in the past three years. This indicated that the PRC government consumption had gradually been replaced by mass and commercial consumptions. After two years of active destocking in baijiu distribution channels, the inventory in the channels was restored to a healthy level. While the mass and commercial consumptions became the primary support of baijiu market, the consumptions structure and behavior of baijiu market became rational, the high-end baijiu sector and its retail prices remained stable in the year under review. The market environment of baijiu industry was gradually improving.

During the year under review, the Group actively adjusted the product structure according to the market changes in mainland China. The Group has obtained the ten-year sole distributorship for the following products: Feitian Moutai baijiu with 53% alcohol content in 400 and 1,300 milliliter bottles, Feitian Moutai baijiu with 43% alcohol content in 400 and 1,300 milliliter bottles, Moutai Wang Zi baijiu with 53%

alcohol content in 1,500 and 3,000 milliliter bottles, and Moutai Yingbin baijiu with 53% alcohol content in 1,500 and 3,000 milliliter bottles. Wuliangye baijiu with 68% alcohol content in 100 milliliter and 250 milliliter bottles were launched. Guizhou Yaxi Cellar baijiu, with its differentiating advantages of "China's time-honoured brand" and a "protected product of national geographical indicator", was positioned as a mass consumption product by building a product image of a reasonably priced, high quality product in the minds of the consumers. The Group believes that the value of a brand for consumer products will play a critical role in the market competition in the future. Wuliangye and Moutai products will become the consumers' de facto choice for business dinners, holiday gatherings and gifts. The Group will actively promote Guizhou Yaxi Cellar as the number one choice for day-to-day consumption by the general public. During the year under review, the Group was also involved intensively in the development of e-commerce and tv shopping channels. While maintaining the advantage of the traditional channels, the Group has developed long-term strategic relationships with Jingdong Mall, "Shunfeng Heike" and Hunan Happigo. The Group's products have already penetrated into the channels of all major e-commerce and tv shopping platforms, and achieved good results.

During the year under review, the Group continuously adopted a strict cost control policy on lowering different types of expenses including administrative and operating expenses.

Wine and Cigarettes Businesses

During the period under review, the Group continued to develop the wine and cigarettes businesses steadily. Cigarettes business remained stable in sales during the period under review. The Group had been closely monitoring changes in the market and adopted a proactive and pragmatic approach to map out marketing plans for business opportunities development.

Business in Electronic Commerce and Image Stores

During the year under review, the Group's e-commerce business delivered strong sales growth and contributed more to the Group's revenue. To better seize the opportunities of the emerging e-commerce market, the Group had been optimising its e-commerce channel development and expanding its coverage on online shopping platforms. Apart from major online shopping platforms such as Jingdong Mall, Yihaodian, T-mall and Vip.com, the Group had also started its ten-year cooperation with "Shunfeng Heike" during the year under review. Through such cooperation, the Group enjoyed priorities in promoting and selling the Group's liquors through Heike's extensive sales network. Moreover, the Group had also entered into strategic cooperations with Hunan Happigo Home Shopping Co. Ltd and Anhui Jiasenjia Trading Co. Ltd, and through these platforms the Group would sell its liquor products. During the year under review, the Group continued to expand its sales on TV shopping. The Group has been cooperating with 11 shopping channels in China, in order to further diversifying its coverage over the e-commerce platforms.

In addition, the Group had been exploring further business opportunities with existing online shopping partners. As such, the Group entered into a 10-year strategic cooperation agreement in April 2015 with Beijing Jingdong Century Trading Co. Ltd. Through such cooperation, the Group enjoyed the priority in selling all of its existing and future new products on jd.com. The Group believed that the above strategic moves would further advance the rapid development of the Group's e-commerce business, which will better supplement its traditional distribution channels.

During the year under review, there were a total of 333 authorised image stores. To underscore and grasp the thriving e-commerce business opportunities, except for certain selected physical stores which are retained, the Group shifted the operation of all other physical Wine Kingdom image stores to our e-commerce platforms.

Outlook and Future Development

Looking forward, the PRC government has adopted measures to restructure and enhance the economy which will be conducive to a sustainable and robust growth in the long term. Meanwhile, the urbanisation rate of China has been increasing consistently. According to the National Bureau of Statistics, urban population in 2014 made up of approximately 54.77% of the total population, representing an urban population of approximately 750 million. In the medium to long run, the ongoing urbanisation will become a primary growth momentum for China's consumer market and baijiu market, which will be the driving force for the long-term development of the baijiu industry.

To ensure the sustainable development of its business, the Group will strive to accomplish the following tasks in the future.

Firstly, the Group will continue its development in optimising its product portfolio. The Group will seize the opportunities to increase efforts on promotion and recruiting distributors of the new middle and low-end products. The Group will accelerate the development of Feitian Moutai baijiu with 53% alcohol content in 400 milliliter bottle and the new middle and low-end products under the brand of Guizhou Yaxi Cellar baijiu, and expedite the product sales, in order to increase their market shares as well as broaden revenue sources. On the other hand, the Group will continue to work with existing suppliers to develop more high quality new middle and low-end products to meet the demands of different consumers.

Secondly, in respect of channel development, the Group will further expand and establish its traditional distribution network with a focus on the development strategy of new middle and low-end products. Furthermore, the Group will optimise and strengthen cooperation with the existing distributors. In addition, the Group will enhance its development of e-commerce channels by exploring more online shopping platforms and e-commerce sales platforms while working with the existing e-commerce partners to explore different in-depth cooperation in order to diversify its sales channels and attract more potential consumers. Such measures will increase the efficiency and efficacy of the Group's market penetration and supplement the traditional distribution network, to enhance the overall market share of the Group.

Lastly, in respect of operation management, the Group will continue to strengthen internal control, adopt more prudent financial management and cost control measures, further regulate the operation expenses and maintain healthy financial fundamentals in order to achieve sustainable development and eventually reward shareholders, employees and customers for their continuous support.

FINANCIAL REVIEW

Revenue and Gross Profit/(Loss)

The Group generates revenue primarily by selling high-end liquors. For the year ended 31 March 2015, the Group recorded a total revenue of approximately HK$418.9 million, representing a decrease of approximately 14.4% compared to a total revenue of HK$489.1 million for the year ended 31 March 2014. For the year ended 31 March 2015, approximately 57.8% of revenue was derived from the PRC market (2014: 16.0%).

The Group's revenue derived from the distribution of liquors represented approximately 95.2% of the total revenue for the year ended 31 March 2015 (2014: 96.1%) while the revenue derived from the distribution of cigarettes represented approximately 4.8% of the total revenue for the year ended 31 March 2015 (2014: 3.9%).

The Group's gross profit for the year ended 31 March 2015 was approximately HK$82.7 million (2014: gross loss of HK$163.1 million). The increase in gross profit was mainly due to the sales of those inventories with provision for inventories in respect of write-down to net realisable value made for the year ended 31 March 2014, resulted in a reduction of average unit cost of goods sold and the decrease in amount provided for inventories in respect of write-down to net realisable value for the year ended 31 March 2015 as compared to the corresponding period in 2014. Excluding the factor of provision for inventories, the Group's gross profit for the year ended 31 March 2015 was approximately HK$104.2 million (2014: HK$11.4 million), the gross profit ratio before provision for inventories was approximately 24.9% (2014: 2.3%).

Other Income and Gains, Net

Other income and gains, net amounted to approximately HK$1.1 million for the financial year 2015 (2014: HK$6.5 million). Such decrease was mainly due to the sharp decrease in bank interest income from pledged deposits.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised 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 approximately HK$180.1 million (2014: HK$221.4 million) accounting for approximately 43.0% (2014: 45.3%) of the revenue of the Group for the financial year 2015. Such decrease was mainly due to the decrease in sales and marketing personnel expenses, advertising expenses and rental expenses for warehouse and shops.

Administrative Expenses

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

Administrative expenses amounted to approximately HK$110.7 million (2014: HK$135.1 million) accounting for approximately 26.4% (2014: 27.6%) of the revenue of the Group for the financial year 2015. Such decrease was mainly due to the decrease in management staff salaries and wages, legal and professional fees and entertainment expenses for business purpose.

Write-back of Impairment/(Impairment), Net

The balance amounted to approximately HK$170.9 million (2014: loss of HK$234.0 million) for the financial year 2015. The change was mainly due to the write-back of impairment allowances of trade receivables, bills receivable, prepayments and other receivables.

Finance Costs

Finance costs amounted to approximately HK$30.8 million (2014: HK$40.4 million) representing approximately 7.4% (2014: 8.3%) of the Group's revenue for the financial year 2015. The finance costs include interest on discounted bills, trust receipt loans and short-term bank loans and other loans. Such decrease was mainly due to the decrease in bank loan interest.

Income Tax Credit/(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 (2014: 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.

After due and careful considerations, the Group revisited its tax exposure by performing a detailed assessment on the Group's Corporation Income Tax ("**CIT**") payable brought forward from prior years. After considering the low practical risk of payment, certain of the prior year's CIT provision was reversed in the current year. In the future, the Group will continue to perform regular reassessment.

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 2015 amounted to approximately HK$19.1 million, as compared to a loss attributable to ordinary equity holders of the Company of approximately HK$787.4 million in 2014.

Dividends

The Company did not pay any interim dividend during the financial year 2015.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2015.

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 settlement of trade receivables by the customers and short credit terms were granted by the Group to the customers.

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 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, total impairment allowance in aggregate of approximately HK$212.6 million (2014: HK$592.4 million) had been made as at 31 March 2015.

During the year ended 31 March 2015, the Group has bought back inventories from one distributor and the related purchase consideration was offset with the Group's trade receivables due from this distributor which were previously impaired. Besides, during the year ended 31 March 2015 and up to the date of this announcement, settlement were received by the Group from a few distributors for the previously impaired trade and bills receivables of the same amount. As a result, the total impairment allowance of trade and bills receivables decreased accordingly.

As at 31 March 2015, the trade and bills receivables net of provision were approximately HK$75.8 million (2014: HK$50.2 million). Approximately 50.8% of the net trade and bills receivables were aged within two months as at 31 March 2015 (2014: 44.8%). All bills receivables were issued and accepted by banks.

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; and

(ii) actively pursue cash-transaction business such as e-commerce and TV shopping.

Up to the date of this announcement, the Group's subsequent settlement of the trade and bills receivables was approximately HK$1.6 million.

Trade Payables

As at 31 March 2015, the trade payables was approximately HK$3.9 million (31 March 2014: HK$3.7 million).The balance remained almost unchanged during the year.

Inventories

As at 31 March 2015, the Group's inventories was approximately HK$758.3 million (2014: HK$796.3 million). The changes in inventories level was not significant which was mainly due to the net effect that (i) the purchases of products that are well-received by consumers, such as Wuliangye and Moutai, has increased as compared to the corresponding period in last year; and (ii) the Group has repurchased certain inventories from a customer during the year under review. Therefore, when compared to the corresponding period in last year, the changes in inventory level for the year was not significant.

Liquidity and Financial Resources

As at 31 March 2015, the Group had cash and cash equivalents of approximately HK$170.1 million (2014: HK$82.3 million), approximately 90.2% (2014: 29.4%) of which was denominated in Renminbi ("**RMB**"), 9.7% (2014: 70.5%) of which was denominated in Hong Kong dollars and approximately 0.1% (2014: 0.1%) of which was denominated in other currencies. The increase in cash and cash equivalents was mainly due to the increase in interest-bearing bank and other borrowings. As at 31 March 2015, the Group's net current assets were approximately HK$480.9 million (2014: HK$457.7 million).

Capital Structure of the Group

Total interest-bearing bank and other borrowings as at 31 March 2015 was approximately HK$453.9 million (2014: HK$354.5 million), of which all were repayable within one year or on demand and bore floating and fixed interest rate. Approximately 94.6% (2014: 97.8%) of the total interest-bearing bank and other borrowings was denominated in RMB, 2.6% (2014: Nil) of which was denominated in Hong Kong dollars and 2.8% (2014: 2.2%) of which was denominated in United States dollars.

No particular seasonality trend for the borrowing requirements of the Group observed for the year under review.

The Group's trust receipt loan denominated in United States dollars of approximately HK$12.6 million bore interest at a rate of LIBOR+3.5% (2014: Nil) per annum. The Group's trust receipt loan as at 31 March 2015 was secured by the Group's pledged bank deposit of approximately HK$15.2 million (2014: Nil), and was supported by a guarantee provided by a bank in the PRC.

The Group's bank loans denominated in RMB of approximately HK$303.0 million were unsecured, bore interest at rate of 120% of PBOC (2014: ranging from 110% to 120% of PBOC) per annum and would be repayable in April 2015 (2014: repayable between April 2014 and November 2014). As at 31 March 2015, the Group's bank loans were supported by corporate guarantees executed by the Company and a subsidiary of the Company.

The Group's other loan denominated in Hong Kong dollars of approximately HK$12.0 million bore interest at a rate of 12% per annum (2014: Nil). The Group's other loan as at 31 March 2015 was secured by the Group's investment property with a carrying amount of approximately HK$6.7 million as at 31 March 2015 and was supported by a guarantee provided by a director of the Company.

The Group's other loan denominated in RMB of approximately HK$126.3 million was unsecured, bore interest at a rate of 18% per annum (2014: Nil) and was fully repaid in April 2015.

For the purpose of the above analysis, the Group's other loan of approximately HK$12.0 million containing a repayment on demand clause is included within current interest-bearing bank and other borrowings.

Based on the maturity terms of the other loan, the amount repayable in respect of the other loan is approximately HK$12.0 million payable in the third to fifth years, inclusive.

Subsequent to the end of the reporting period, the Group has fully repaid the other loan denominated in RMB of approximately HK$126.3 million in April 2015 and the other loan denominated in Hong Kong dollars of approximately HK$12.0 million in May 2015 after the disposal of the Group's investment property.

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 and other borrowings, trade payables, deposits received, other payables and accruals, bank advance for discounted bills and amounts due to related parties and directors less cash and cash equivalents. Total capital represents equity attributable to the ordinary equity holders of the Company. As at 31 March 2015, the gearing ratio was approximately 52.3% (2014: 52.3%).

Employment and Remuneration Policy

The Group had a total work force of 165 employees in Hong Kong and the PRC as at 31 March 2015 (2014: 244 employees). The total salaries and related costs (including Directors' fee) amounted to approximately HK$101.6 million for the year ended 31 March 2015 (2014: 130.3 million). 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, a substantial shareholder of the Company and certain 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.

During the year under review, 1,025,000 share options were lapsed and 74,558,500 share options were cancelled, and no share option was granted or exercised. As at 31 March 2015, there was no outstanding share option of the Company (2014: 75,583,500). Hence, no participant was granted any option in excess of the individual limit as set out under the Share Option Scheme.

At the annual general meeting held on 22 August 2014 (the "**2014 AGM**"), the then shareholders duly approved to renew the total maximum number of shares of the Company which may be issued upon the exercise of options to be granted under the Share Option Scheme to be up to 10% of the Company's issued share capital as at the date of the 2014 AGM, which amounted to 135,474,999 shares of the Company.

The Listing Committee of the Stock Exchange subsequently granted the approval for the listing of, and permission to deal in, the shares to be issued pursuant to the renewed Share Option Scheme mandate.

Subsequent to 31 March 2015 and on 22 April 2015, the Company granted share options to certain Directors, a substantial Shareholder and employees of the Group to subscribe for a total of 134,900,000 ordinary shares of HK$0.10 each in the capital of the Company under the Share Option Scheme. The exercise price is HK$1.09 per share. Details of the grant of share options, including the validity of the share options can be referred to the announcement of the Company dated on 22 April 2015. Accordingly, options to subscribe for a total of 574,999 shares in the Company, representing approximately 0.04% of the total number of issued shares in the Company, may still be granted under the Share Option Scheme as at the date of this announcement.

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 2015.

EXTRACT OF INDEPENDENT AUDITORS' 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 financial position of the Company and of the Group as at 31 March 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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$19,437,000 during the year ended 31 March 2015, and the Group had net cash outflows from operating activities of approximately HK$35,782,000 and net cash outflows used in investing activities of approximately HK$7,281,000. 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 ("**Code Provisions**") in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange throughout the year ended 31 March 2015, 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 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 its 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 management was late in providing the updates to all members of the Board during the period under review due to some job reallocation of staff of the Finance Department of the Company. 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, due to his desire to focus on his other personal career, the number of independent non-executive Directors fell 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 represented 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 fell short of the requirements under Rule 3.21 and Rule 3.25 of the Listing Rules, and fell 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 member of the audit committee and the 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 had complied with the standards set out in the Model Code during the year ended 31 March 2015.

The Company has adopted written guideline, "Code for Securities Transactions by Relevant Employees", on no less exacting terms than the Model Code for securities transactions by relevant employees who are likely to be in possession of inside information of the Company.

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 is a qualified accountant with extensive experience in financial reporting and controls, 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, reviewing of the Group's financial information and overseeing 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 2015 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, including all independent non-executive Directors, namely Mr. Hung Sui Kwan, Mr. Ma Lishan and Dr. Lee Kwok Keung Edward and one executive Director, Ms. Cheung Mei Sze. 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

During the year ended 31 March 2015, the Company repurchased a total of 5,544,000 shares of HK$0.10 each in the capital of its own shares on the Stock Exchange, details of which are as follows:

Date of repurchase	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Approximate aggregate consideration
		HK$	*HK$*	*HK$*
2 September 2014	1,000,000	0.99	0.99	993,544
3 September 2014	3,713,000	1.05	0.98	3,782,012
4 September 2014	831,000	1.04	1.02	859,677
	5,544,000			5,635,233

The issued share capital of the Company was reduced by the par value of the repurchased shares which had been cancelled on 17 September 2014. The repurchases of shares were effected by the Directors pursuant to the general mandate to repurchase shares which was duly approved by the shareholders at the 2014 AGM.

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the net assets per share of the Company.

Save as disclosed above, 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 2015.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**Annual General Meeting**") will be held in Hong Kong on Friday, 21 August 2015. 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 2015 (2014: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 19 August 2015 to Friday, 21 August 2015, 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, 18 August 2015.

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 2015 containing all the information required by the Listing Rules will be published on the aforesaid websites and despatched to the shareholders of the Company in due course.

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

Hong Kong, 25 June 2015

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.