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 2017

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$1,499.6 million
- Gross profit was approximately HK$410.2 million
- Profit for the year attributable to ordinary equity holders of the Company was approximately HK$6.2 million
- Earnings per share (approximately)
  Basic HK0.27 cents
  Diluted HK0.27 cents
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2017

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 2017, together with the comparative figures for the previous year in 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
REVENUE	5	**1,499,636**	1,260,232
Cost of sales		**(1,089,403)**	(1,026,253)
Gross profit		**410,233**	233,979
Other income and gains, net	5	**8,406**	77,463
Selling and distribution expenses		**(294,870)**	(180,752)
Administrative expenses		**(80,686)**	(103,223)
Write-back of impairment, net		**11,817**	17,843
Finance costs	6	**(48,698)**	(25,511)
PROFIT BEFORE TAX	7	**6,202**	19,799
Income tax credit/(expense)	8	**(52)**	110,550
PROFIT FOR THE YEAR		**6,150**	130,349
ATTRIBUTABLE TO:			
ORDINARY EQUITY HOLDERS OF THE COMPANY		**6,150**	130,408
NON-CONTROLLING INTERESTS		**–**	(59)
		6,150	130,349
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (HK cents) (2016 restated)	10	**0.27**	5.97
Diluted (HK cents) (2016 restated)	10	**0.27**	5.90

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**6,150**	130,349
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified/ reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(67,707)**	(45,654)
Realisation of exchange fluctuation reserve upon dissolution of subsidiaries	**–**	(186)
Net other comprehensive loss to be reclassified/ reclassified to profit or loss in subsequent periods	**(67,707)**	(45,840)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(67,707)**	(45,840)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(61,557)**	84,509
ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE COMPANY	**(61,557)**	84,568
NON-CONTROLLING INTERESTS	**–**	(59)
	(61,557)	84,509

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**12,236**	9,674
Intangible asset		**8,300**	8,300
Deposits		**4,024**	2,561
Total non-current assets		**24,560**	20,535
CURRENT ASSETS			
Property held for sale		**–**	9,606
Inventories		**697,771**	692,837
Trade receivables	11	**42,851**	23,013
Bills receivable	11	**56,771**	48,249
Prepayments, deposits and other receivables		**801,992**	853,956
Pledged deposits		**85,000**	75,000
Cash and cash equivalents		**356,939**	300,709
Total current assets		**2,041,324**	2,003,370
CURRENT LIABILITIES			
Trade payables	12	**4,290**	10,143
Bills payable	12	**439,968**	615,000
Deposits received, other payables and accruals		**256,582**	240,544
Bank advance for discounted bills		**56,771**	28,800
Interest-bearing bank borrowings		**213,310**	222,000
Bond payables		**10,529**	–
Due to a related party		**–**	160
Due to directors		**1**	1,251
Tax payable		**61,334**	64,841
Total current liabilities		**1,042,785**	1,182,739
NET CURRENT ASSETS		**998,539**	820,631
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,023,099**	841,166
NON-CURRENT LIABILITY			
Bond payables		**240,501**	13,997
Net assets		**782,598**	827,169
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	13	**227,281**	151,521
Reserves		**556,370**	676,701
		783,651	828,222
Non-controlling interests		**(1,053)**	(1,053)
Total equity		**782,598**	827,169

NOTES TO FINANCIAL STATEMENTS

31 March 2017

1. CORPORATE AND GROUP INFORMATION

Silver Base Group Holdings Limited (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 Conyers 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 Room 1802-03, 18th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "**Group**") are 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 (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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 profit before tax of HK$1,499,636,000 (2016: HK$1,260,232,000) and HK$6,202,000 (2016: HK$19,799,000), respectively, for the year ended 31 March 2017. The Group had net cash outflows used in operating activities of approximately HK$171,791,000 (2016: net cash inflow of approximately HK$264,092,000) for the year ended 31 March 2017.

As at 31 March 2017, the Group recorded outstanding bank loans of HK$213,310,000 (2016: HK$222,000,000) and bills payable of HK$439,968,000 (2016: HK$615,000,000), which are due for repayment or renewal within the next twelve months after 31 March 2017.

The bills payable of HK$439,968,000 were arranged in respect of the Group's purchase prepayments to a supplier and are due for repayment in March 2018. In the event that the cash flows generated from the operating activities of the Group are insufficient to pay the bills payables on the due dates, the Group will negotiate with the grantor bank in the People's Republic of China ("**PRC**") for the extension or renewal of the facilities.

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 the PRC banks for the renewal of the Group's PRC bank borrowings and bills payable 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 and facilities 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$76,400,000 for the Group's working capital.

(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 order to enhance the Group's online sale and marketing channels for its winery products, the Group has entered into various service agreements with certain e-commerce platform service providers, and operated an online store. The Group also launched a liquor industry oriented Business-to-Business platform in the PRC in May 2016 to enhance the Group's services and support to business members and for the promotion of the liquor products.

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 its 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 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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 ordinary equity holders 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 above. 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 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and revised HKFRSs 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 two 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**"); and

(ii) the distribution of Chinese cigarettes and the investment in a residential apartment for its rental income potential ("**Cigarettes and others**").

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

During the year ended 31 March 2017, the financial results of the cigarettes and property investment segments, which were reported as separate segments in prior years' financial statements, are reported in aggregate under the "Cigarettes and others" segment. Comparative figures of the segment information have been reclassified to conform with the current year's presentation.

Year ended 31 March 2017

	Liquors	Cigarettes and others	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	**1,492,736**	**6,900**	**1,499,636**
Gain on disposal of property held for sale	**1,626**	**–**	**1,626**
Gain on disposal of items of property, plant and equipment	**100**	**–**	**100**
Foreign exchange gains, net	**575**	**–**	**575**
Total	**1,495,037**	**6,900**	**1,501,937**
Segment results	**46,949**	**1,846**	**48,795**
Reconciliation:			
Interest income			**1,420**
Other gains			**4,685**
Finance costs			**(48,698)**
Profit before tax			**6,202**
Other segment information:			
Depreciation	**4,766**	**28**	**4,794**
Write-back of impairment allowance of trade receivables	**(12,830)**	**–**	**(12,830)**
Impairment allowance of prepayments and other receivables	**1,013**	**–**	**1,013**
Provision for inventories in respect of write-down to net realisable value	**1,444**	**–**	**1,444**
Capital expenditure*	**7,903**	**–**	**7,903**

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

Year ended 31 March 2016

	Liquors *HK$'000*	Cigarettes and others *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	1,255,492	4,740	1,260,232
Purchase incentive from a supplier	64,223	–	64,223
Gain on disposal of an investment property	–	10,306	10,306
Foreign exchange gains, net	207	–	207
Total	1,319,922	15,046	1,334,968
Segment results	30,709	11,874	42,583
Reconciliation:			
Interest income			209
Other gains			2,518
Finance costs			(25,511)
Profit before tax			19,799
Other segment information:			
Depreciation	8,279	44	8,323
Loss on disposal of items of property, plant and equipment	508	–	508
Write-back of impairment allowance of trade receivables	(9,686)	–	(9,686)
Write-back of impairment allowance of bills receivable	(5,555)	–	(5,555)
Impairment allowance of prepayments and other receivables	1,850	–	1,850
Write-back of impairment allowance of prepayments and other receivables	(4,452)	–	(4,452)
Provision for inventories in respect of write-down to net realisable value	17,408	–	17,408
Provision for a claim	12,261	–	12,261
Capital expenditure*	6,260	–	6,260

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

Geographical information

	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2017			
Revenue from external customers*	**305,935**	**1,193,701**	**1,499,636**
Non-current assets**	**10,060**	**10,476**	**20,536**
Year ended 31 March 2016			
Revenue from external customers*	717,482	542,750	1,260,232
Non-current assets**	11,372	6,602	17,974

* 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$343,991,000 (2016: Nil) and HK$305,822,000 (2016: HK$631,686,000) respectively for the year ended 31 March 2017 were derived from sales by the Liquors segment and the Cigarettes and others 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 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:

	2017	2016
	HK$'000	*HK$'000*
Purchase incentive from a supplier	**–**	64,223
Gain on disposal of an investment property	**–**	10,306
Gain on disposal of property held for sale	**1,626**	–
Gain on disposal of items of property, plant and equipment	**100**	–
Bank interest income	**1,420**	209
Foreign exchange gains, net	**575**	207
Others	**4,685**	2,518
	8,406	77,463

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on discounted bills	**1,348**	2,568
Interest on bank, trust receipt and other loans	**32,722**	21,482
Interest on bond payables	**14,628**	1,173
Others	**–**	288
	48,698	25,511

7. PROFIT BEFORE TAX

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

	Note	**2017**	2016
		HK$'000	*HK$'000*
Cost of inventories sold**		**1,087,959**	1,008,845
Depreciation:			
Property, plant and equipment		**4,794**	8,306
Investment property		**–**	17
		4,794	8,323
Minimum lease payments under operating leases		**33,404**	43,210
Loss/(gain) on disposal of items of property, plant and equipment		**(100)**	508
Gain on dissolution of subsidiaries		**–**	(186)
Write-back of impairment allowance of trade receivables*		**(12,830)**	(9,686)
Write-back of impairment allowance of bills receivable*		**–**	(5,555)
	11	**(12,830)**	(15,241)
Impairment allowance of prepayments and other receivables*		**1,013**	1,850
Write-back of impairment allowance of prepayments and other receivables*		**–**	(4,452)
Provision for inventories in respect of write-down to net realisable value**		**1,444**	17,408
Provision for a claim		**–**	12,261
Auditor's remuneration		**2,768**	2,600
Employee benefit expense (including directors' remuneration):			
Wages, salaries, allowances and benefits in kind		**77,611**	57,500
Pension scheme contributions		**8,665**	4,597
Equity-settled share option expense		**16,986**	18,667
		103,262	80,764
Direct operating expenses (including repairs and maintenance) arising on a rental-earning investment property		**–**	197

* Included in “Write-back of 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$7,410,000 (2016: HK$6,615,000), which is also included in the total amount disclosed separately above.

At 31 March 2017, the Group had no forfeited contributions available to reduce its contribution to the pension schemes in future years (2016: Nil).

8. INCOME TAX

No provision for Hong Kong profits tax has been made for the year as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year (2016: 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.

	2017	2016
	HK$’000	*HK$’000*
Current – Elsewhere		
Charge for the year	**52**	97
Overprovision in prior years	**–**	(110,647)
Total tax charge/(credit) for the year	**52**	(110,550)

9. DIVIDENDS

The Company’s directors do not recommend the payment of any dividend for the year ended 31 March 2017 (2016: Nil).

A bonus issue of one bonus share for every two existing shares (the “**2016 Bonus Issue**”) for the year ended 31 March 2016 was approved by the Company’s shareholders at the extraordinary general meeting of the Company on 15 July 2016. On 2 August 2016, 757,602,949 bonus shares were issued by the Company to satisfy the 2016 Bonus Issue.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$6,150,000 (2016: HK$130,408,000), and the number of ordinary shares of 2,272,808,946 (2016 (restated): the weighted average number of ordinary shares of 2,185,726,981) in issue during the year.

The weighted average number of ordinary shares for the year ended 31 March 2016 for the purpose of calculating basic earnings per share amount has been retrospectively adjusted for the 2016 Bonus Issue.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 March 2017 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings per share amount presented for the year ended 31 March 2017.

The calculation of the diluted earnings per share amount presented for the year ended 31 March 2016 was based on the profit for the year attributable to ordinary equity holders of the Company of HK$130,408,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**6,150**	130,408

	Number of shares 2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (2016: restated to reflect the effect of the 2016 Bonus Issue)	**2,272,808,946**	2,185,726,981
Effect of dilution		
Weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year (2016: restated to reflect the effect of the 2016 Bonus Issue)	**–**	26,186,378
	2,272,808,946	2,211,913,359

11. TRADE AND BILLS RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000*
Trade receivables	**225,591**	220,388
Less: impairment allowance	**(182,740)**	(197,375)
Net trade receivables	**42,851**	23,013
Bills receivable	**56,771**	48,249
	99,622	71,262

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 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. Over 41% (2016: 25%) of the trade and bills receivables balances as at 31 March 2017 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:

	2017	2016
	HK$'000	*HK$'000*
Within 2 months	**83,046**	28,010
2 to 6 months	**16,576**	43,252
	99,622	71,262

Included in the above trade and bills receivables as at 31 March 2017, amounts totalling HK$56,771,000 (2016: HK$28,800,000) 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:

	2017	2016
	HK$'000	*HK$'000*
At beginning of the year	**197,375**	212,616
Impairment losses reversed *(note 7)**	**(12,830)**	(15,241)
Written off as uncollectible	**(1,805)**	–
At end of the year	**182,740**	197,375

* During the year ended 31 March 2017, the Group has bought back inventories from one distributor and the purchase consideration of HK$1 million was offset with the Group's trade receivables due from this distributor which were previously impaired. Besides, the carrying amount before provision was decreased by HK$12 million for previously impaired trade receivables denominated in Renminbi ("**RMB**") due to the depreciation of RMB during the year. As such, the related impairment allowance on these trade receivables of approximately HK$13 million in aggregate was reversed during the year ended 31 March 2017.

During the year ended 31 March 2016, the Group has confiscated one residential property in PRC as settlement from a customer for a bills receivable of HK$5,555,000, which was previously impaired. Besides, the carrying amount before provision was decreased by HK$9 million for previously impaired trade receivables denominated in RMB due to the depreciation of RMB during the year. As such, the related impairment allowance on these trade and bills receivables of approximately HK$15 million in aggregate was reversed during the year ended 31 March 2016.

12. TRADE AND BILLS PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**440,034**	546,986
1 month to 3 months	**530**	75,000
Over 3 months	**3,694**	3,157
	444,258	625,143

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

The bills payable are non-interest-bearing and with 365 days settlement terms.

As at 31 March 2017, the Group's bills payable of HK$439,968,000 (2016: HK$615,000,000) were secured by the Group's inventories and prepayment in aggregate of RMB450,000,000 (equivalent to HK$506,880,000) (2016: RMB427,352,000 (equivalent to HK$512,822,000)) and the Group's pledged bank deposits of HK$50,480,000 (2016: HK$75,000,000).

13. SHARE CAPITAL

		2017	2016
	Notes	***HK$'000***	*HK$'000*
Authorised:			
100,000,000,000 (2016: 100,000,000,000) ordinary shares of HK$0.1 each		**10,000,000**	10,000,000
Issued and fully paid:			
2,272,808,946 (2016: 1,515,205,997) ordinary shares of HK$0.1 each	(a & b)	**227,281**	151,521

Notes:

(a) On 27 July 2015, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has agreed to place up to 276,493,999 new ordinary shares of the Company of HK$0.1 each through the placing agent at HK$1.31 per share.

On 7 August 2015, 166,000,000 ordinary shares of HK$0.1 each were issued for cash at HK$1.31 per share pursuant to the placing agreement dated 27 July 2015 for a total cash consideration, before related expenses, of HK$217,460,000.

(b) On 14 June 2016, 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 25 July 2016 (the "**Record Date**") on the basis of one bonus share for every two existing ordinary shares held by the Company's shareholders by capitalising the share premium of the Company. The 2016 Bonus Issue was approved by the Company's shareholders on 15 July 2016. Based on a total of 1,515,205,997 shares in issue and on the basis of one bonus share for every two existing ordinary shares held by the Company's shareholders on the Record Date, 757,602,949 bonus shares were issued by the Company on 2 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year ended 31 March 2017 (the "**Year under Review**"), the Group recorded a total revenue of approximately HK$1,499.6 million (2016: HK$1,260.2 million), representing an increase of approximately 19.0%. Excluding the provision for inventories, during the Year under Review, the Group's gross profit was approximately HK$411.7 million (2016: HK$251.4 million). The gross profit margin before provision for inventories was approximately 27.5% (2016: 19.9%), while the profit attributable to the ordinary equity holders of the Company was approximately HK$6.2 million (2016: HK$130.4 million). Basic earnings per ordinary share was approximately HK0.27 cents (2016 (restated): HK5.97 cents).

During the Year under Review, the revenues generated from the PRC market and the international market accounted for approximately 79.6% (2016: 43.1%) and approximately 20.4% (2016: 56.9%) of the Group's total revenue respectively.

Baijiu Business

During the Year under Review, the performance of the Chinese baijiu industry was consistent with the Group's expectations over the past two years. Moutai and Wuliangye products are particularly favored by consumers. Their brand influence further expanded with their market share increased significantly. The gap between other liquor brands and Moutai and Wuliangye is growing wider.

During the Year under Review, Wuliangye and Moutai products accounted for more than 90% of the total sales of the Group. The Group obtained 8 Moutai exclusive distribution products in October 2014, 400 ml and 1,300 ml 53 degrees Feitian Moutai as well as 400 ml and 1,300 ml 43 degrees Feitian Moutai, was launched in 2015. The remaining 4 Moutai products are yet to be launched.

In May 2016, the Group began to make changes in the sales model of Chinese baijiu industry which has been adopted for many years. B2B model was introduced which directly sold to the retail operators including liquor and tobacco specialty stores. As of 31 March 2017, the Group has launched the B2B model in over 260 cites, with approximately 130,000 registered members of liquor and tobacco specialty stores. Benefited from the increased sales coverage due to the adjustment of the product structure and the change of the sales model in the previous two years, the Group recorded a significant increase in sales in the PRC during the Year under Review. The relatively larger amount of expense associated with the establishment of B2B platform has brought a significant negative impact on the Group's net profit during the Year under Review. The Group believes that it will not incur similar expenses in cities where the B2B platform has been launched.

Wine Kingdom B2B Platform

On 29 May 2016, the Group launched the "Wine Kingdom B2B platform" ("**B2B Platform**"), which revolutionised the Chinese baijiu sales model being used for many years. Under this model, cigarettes and tobacco specialty stores from each city directly register as the Group's members. The Group selects several retail operators to be City Partners. City Partners are responsible for warehousing and logistics servicing for each city, and the Group pays commissions to City Partners according to the quantity of products delivered. The Group does not need to bear the local warehousing and logistics servicing costs. The development pace of the Group's B2B Platform is faster than expected.

During the Year under Review, the Group actively enhanced the functionalities of the B2B Platform and the technologies associated with Internet of Things. The Group's B2B Platform has solved problems associated with the baijiu sales model including excessive procedures, layered pricing and low efficiency. It has achieved the goal of direct sales to retail operators at "First Tier Wholesale Price", which will bring revolutionary changes to the baijiu sales model in China. During the Year of Review, all members of the B2B Platform are liquor and tobacco specialty stores. The Group will actively expand the platform membership to shopping malls, supermarkets, retail key accounts and sizeable retail chain stores.

The Group believes that the expenses incurred in setting up the B2B Platform during the year is a one-off expense. The expenses will be substantially reduced upon the completion of the platform. The Group's management believes that a large-scale liquors B2B Platform operator will emerge in the China market, who will be able to integrate retail operator network resources and upstream manufacturer product resources. We will strive to achieve this goal in an active and pragmatic manner, to secure the Group's position in the future of the Chinese baijiu industry.

Wine and Cigarettes Business

During the Year under Review, the Group's wine and cigarette business income was similar to the same period last year. Management believes that the demand for wine in the country is increasing, but operating wine business is challenging due to the large number of batches with small quantity per batch. The Group will pay close attention to the wine market as usual and make appropriate plans and adjustments upon new market development and changes.

E-Commerce Business

During the Year under Review, in addition to Wine Kingdom B2B Platform, the Group continued to maintain good cooperation relationships with the mainstream e-commerce shopping platforms and TV shopping platforms in China, such as Jingdong Mall, Yihaodian, T-mall, Vip.com, Rongyigou, Shunfeng Heike, Amazon, Hunnan Happigo and Anhui Jiajiamall etc.

Prospect and Future Development

During the Year under Review, China's baijiu industry experienced consumption upgrade and industry recovery. The Group expects 2017 to be a critical period for the development of the baijiu industry. Looking ahead, the Group will continue to seize this industry transformation opportunity. Through our B2B Platform, better integration of internet and traditional channels, healthier and more sustainable baijiu ecology can be achieved.

In terms of products and channel development, data collected through B2B Platform enables the management to better understand the baijiu consumption characteristics and market trends. The Group is actively seeking cooperation partners and suitable mass consumption brands products to enrich the product lines of the B2B Platform, to increase sales types and boost market share for revenue generation and better returns for shareholders.

In terms of operation management, the Group will continue reinforce its internal control; adopt a more prudent financial management and cost control policy to maintain a stable financial foundation for the Group's sustainable growth.

The management believes that the B2B sales model effectively eliminate excessive distribution procedures, to achieve effective product circulation and delivery, and lower transaction costs, which will bring huge benefits to the Group, as well as to the industry as a whole. The Group will continue to maintain the long-term symbiotic and cooperative partnership with baijiu manufacturers, for both parties to rise and shine under the brand new business environment.

Being the only nationwide distributor in Chinese baijiu industry, management of the Group has always focused on the development of baijiu business in China. Upon the recovery of baijiu market, together with the maturing B2B Platform, the Group is confident in generating satisfactory financial results by achieving significant increase in total sales in China in order to reward our shareholders of the Company, employees and customers for their continuous support.

FINANCIAL REVIEW

Revenue and Gross Profit

The Group generates its revenue primarily from sales of high-end liquors. For the year ended 31 March 2017, the Group recorded a total revenue of approximately HK$1,499.6 million, representing an increase of approximately 19.0% compared to a total revenue of HK$1,260.2 million for the year ended 31 March 2016. For the year ended 31 March 2017, approximately 79.6% of revenue was derived from the PRC market (2016: 43.1%).

The Group's revenue derived from the distribution of liquors represented approximately 99.5% of the total revenue for the year ended 31 March 2017 (2016: 99.6%) while the revenue derived from the distribution of cigarettes represented approximately 0.5% of the total revenue for the year ended 31 March 2017 (2016: 0.4%).

The Group's gross profit for the year ended 31 March 2017 was approximately HK$410.2 million (2016: HK$234.0 million). The increase in gross profit was mainly due to the increase in sales volume during the year. Excluding the factor of provision for inventories, the Group's gross profit for the year ended 31 March 2017 was approximately HK$411.7 million (2016: HK$251.4 million), the gross profit ratio before provision for inventories was approximately 27.5% (2016: 19.9%).

Other Income and Gains, net

Other income and gains, net amounted to approximately HK$8.4 million for the year ended 31 March 2017 (2016: HK$77.5 million). Such decrease was mainly due to the presence of purchase incentive from a supplier for the year ended 31 March 2016.

Selling and Distribution Expenses

Selling and distribution expenses are mainly comprised of 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$294.9 million (2016: HK$180.8 million) accounting for approximately 19.7% (2016: 14.3%) of the revenue of the Group for the year ended 31 March 2017. Such increase was mainly due to the sharply increase in expenses related to the establishment of the B2B Platform and B2B conference events.

Administrative Expenses

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

Administrative expenses amounted to approximately HK$80.7 million (2016: HK$103.2 million) accounting for approximately 5.4% (2016: 8.2%) of the revenue of the Group for the year ended 31 March 2017. Such decrease was mainly due to the decrease in office rental expenses.

Write-back of Impairment, net

Gain recorded in this account amounted to approximately HK$11.8 million (2016: HK$17.8 million) for the year ended 31 March 2017. The change was mainly due to the decrease in write-back of impairment allowances of bills receivable, prepayments and other receivables.

Finance Costs

Finance costs amounted to approximately HK$48.7 million (2016: HK$25.5 million) representing approximately 3.2% (2016: 2.0%) of the Group's revenue for the year ended 31 March 2017. The finance costs include interest on discounted bills, short-term bank loans and other loans. Such increase was mainly due to the increase in other loan interest and interest on bond payables.

Income Tax Credit/(Expense)

No provision for Hong Kong profits tax has been made for the year as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

Profit Attributable to Ordinary Equity Holders of the Company

Taking into account of the aforementioned, the profit attributable to ordinary equity holders of the Company for the year ended 31 March 2017 amounted to approximately HK$6.2 million, as compared to a profit attributable to ordinary equity holders of the Company of approximately HK$130.4 million in 2016.

Dividends

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

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017.

Inventories

As at 31 March 2017, the Group's inventories was approximately HK$697.8 million (2016: HK$692.8 million). Only slight change in inventories level was mainly due to the similar purchases and sales volume during the year.

Trade and Bills Receivables

The Group has adopted stringent credit policy. Generally, most of 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 increase in trade receivables was mainly due to the increase in credit sales and short credit terms granted by the Group to the customers. All trade receivables as at 31 March 2017 was settled up to the date of this announcement.

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$182.7 million (2016: HK$197.4 million) had been made as at 31 March 2017.

As at 31 March 2017, the trade and bills receivables net of provision were approximately HK$99.6 million (2016: HK$71.3 million). Approximately 83.4% of the net trade and bills receivables were aged within two months as at 31 March 2017 (2016: 39.3%). 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 TV shopping and B2B business.

Up to the date of this announcement, the Group's subsequent settlement of the trade and bills receivables was approximately HK$42.9 million.

Trade and Bill Payables

As at 31 March 2017, the trade payables was approximately HK$444.3 million (31 March 2016: HK$625.1 million). The decrease in trade and bills payables was mainly due to the settlement of the bills payable during the year.

Liquidity and Financial Resources

As at 31 March 2017, the Group had cash and cash equivalents of approximately HK$356.9 million (2016: HK$300.7 million), approximately 73.2% (2016: 93.2%) of which was denominated in Renminbi ("**RMB**"), approximately 15.6% (2016: 6.7%) of which was denominated in Hong Kong dollars and approximately 11.2% (2016: 0.1%) of which was denominated in other currencies. The increase in cash and cash equivalents was mainly due to the proceeds from issue of bonds. As at 31 March 2017, the Group's net current assets were approximately HK$998.5 million (2016: HK$820.6 million).

Capital Structure of the Group

Total interest-bearing bank borrowings as at 31 March 2017 was approximately HK$213.3 million (2016: HK$222.0 million). The interest-bearing bank borrowings included trust receipt loans and bank loan. Approximately 76.6% (2016: 100.0%) of the total interest-bearing bank borrowings was denominated in RMB and approximately 23.4% (2016: Nil) of which was denominated in United States dollars.

The Group's trust receipt loans were denominated in United States dollars.

The Group's bank loan was denominated in RMB. The Group's bank loan in the amount of approximately HK$163.3 million (2016: Nil) containing a repayment on demand clause is included within current interesting-bearing bank borrowings.

Based on the maturity terms of the bank loan, the amounts repayable in respect of the bank loan are: approximately HK$56.3 million (2016: Nil) repayable within one year and approximately HK$107.0 million (2016: Nil) repayable over one year.

During the Year under Review, the Group issued bonds with an aggregate principal amount of approximately HK$274.5 million, before related expenses of approximately HK$48.7 million, to certain independent individuals. The bonds bear interest at rates ranging from 5.5% to 7.0% per annum and will mature in December 2018 to September 2024. Interest is payable by the Company semi-annually or annually from the issue dates of the bonds up to the respective maturity dates.

No particular seasonality trend for the borrowing requirements of the Group observed for the Year under Review.

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 its capital using the 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, amounts due to a related party and directors and bond payables less cash and cash equivalents. Total capital represents equity attributable to the ordinary equity holders of the Company. As at 31 March 2017, the gearing ratio was approximately 52.5% (31 March 2016: 50.1%).

Employment and Remuneration Policy

The Group had a total work force of 357 employees in Hong Kong and the PRC as at 31 March 2017 (2016: 203 employees). The total salaries and related costs (including Directors' fee) amounted to approximately HK$103.3 million for the year ended 31 March 2017 (2016: HK$80.8 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 28 September 2016 (the "**Date of Grant 1**"), the Company granted share options to certain Directors, a substantial Shareholder and employees of the Group to subscribe for a total of 151,300,000 ordinary shares of HK$0.10 each in the capital of the Company under the Share Option Scheme. The exercise price is HK$0.64 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 on the Date of Grant 1.

As at 31 March 2017, the number of share options to subscribe for a total of 253,400,000 shares in the Company, representing approximately 11.1% of the number of issued ordinary shares of the Company, may still be granted under the Share Option Scheme as the date of this announcement.

Subsequent to 31 March 2017 and at the extraordinary general meeting held on 11 April 2017 (the "**2017 EGM**"), the shareholders of the Company 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 2017 EGM, which amounted to 227,280,894 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 as described above.

On 5 May 2017 (the "**Date of Grant 2**"), the Company granted share options to certain employees of the Group to subscribe for a total of 80,000,000 ordinary shares of HK$0.10 each in the capital of the Company under the Share Option Scheme. The exercise price is HK$0.50 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 on the Date of Grant 2.

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 District People's 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 approximately RMB20.1 million (equivalent to approximately HK$22.6 million) in total.

According to a judgement dated 25 August 2015 issued by the PRC District People's Court, the Group was liable to buy back certain inventories from the Plaintiff with a total consideration of approximately RMB18.9 million (equivalent to approximately HK$21.3 million). The Group has filed an appeal for such judgement to the PRC District People's Court in September 2015. According to a judgement dated 7 January 2016 issued by the PRC District People's Court, the appeal from the Group was dismissed and the original judgement dated 25 August 2015 was sustained.

At the date of approval of these financial statements, the Group and the Plaintiff are under the negotiation for the buy back arrangement of the inventories and the Group has not bought back any inventories from the Plaintiff. The directors of the Company are in the opinion that adequate provision has been made in the financial statements to cover any potential liabilities arising from the Claim.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements which indicates that the Group recorded a consolidated profit before tax of HK$6,202,000 during the year ended 31 March 2017, and the Group had net cash outflows used in operating activities of approximately HK$171,791,000. 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 ability of the Group 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 ability of the Group to extend its short-term borrowings upon maturity, source additional debt financing and refinance its existing indebtedness; and to improve its operations to generate adequate cash flows to meet the Group's financial obligations as and when they fall due in the foreseeable future. Our opinion is not modified in respect of this matter."

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 2017, 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.

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 2017.

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, risk management frameworks and internal control systems. 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 2017 including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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

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 2017.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**Annual General Meeting**") will be held in Hong Kong on Friday, 18 August 2017. 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 2017 (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15 August 2017 to Friday, 18 August 2017, 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 Monday, 14 August 2017.

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 2017 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, 26 June 2017

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 and Mr. Chen Sing Hung Johnny 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.