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 2019

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$1,704.9 million
- Gross profit was approximately HK$233.3 million
- Loss for the year attributable to ordinary equity holders of the Company was approximately HK$145.8 million
- Loss per share (approximately)

Basic	HK6.43 cents
Diluted	HK6.43 cents

- The Board does not recommend the payment of a final dividend for the year ended 31 March 2019

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Silver Base Group Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2019, together with the comparative figures for the previous year in 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**1,704,885**	2,321,680
Cost of sales		**(1,471,624)**	(2,096,013)
Gross profit		**233,261**	225,667
Other income and gains, net	5	**72,485**	766
Selling and distribution expenses		**(263,247)**	(198,675)
Administrative expenses		**(90,414)**	(87,017)
Other expenses		**–**	(215)
Reversal of impairment/ (loss from impairment), net		**5,271**	(8,825)
Finance costs	6	**(108,197)**	(64,211)
LOSS BEFORE TAX	7	**(150,841)**	(132,510)
Income tax credit/(expense)	8	**4,186**	(3,529)
LOSS FOR THE YEAR		**(146,655)**	(136,039)
ATTRIBUTABLE TO:			
ORDINARY EQUITY HOLDERS OF THE COMPANY		**(145,782)**	(135,977)
NON-CONTROLLING INTERESTS		**(873)**	(62)
		(146,655)	(136,039)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (HK cents)	10	**(6.43)**	(5.98)
Diluted (HK cents)	10	**(6.43)**	(5.98)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(146,655)**	(136,039)
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(92,610)**	119,209
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	**(92,610)**	119,209
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(239,265)**	(16,830)
ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE COMPANY	**(238,392)**	(16,767)
NON-CONTROLLING INTERESTS	**(873)**	(63)
	(239,265)	(16,830)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated) (Note 2)
NON-CURRENT ASSETS			
Property, plant and equipment		**29,517**	21,684
Intangible asset		**8,300**	8,300
Financial assets at fair value through profit or loss		**94,820**	–
Deposits		**8,290**	36,012
Deferred tax assets		**4,000**	4,000
Total non-current assets		**144,927**	69,996
CURRENT ASSETS			
Inventories		**1,028,129**	904,436
Trade receivables	11	**137,489**	61,954
Bills receivable	11	**–**	1,232
Prepayments, deposits and other receivables		**981,827**	500,957
Pledged deposits		**58,466**	492,915
Bank balances and cash		**598,087**	418,917
Total current assets		**2,803,998**	2,380,411
CURRENT LIABILITIES			
Trade and bills payable	12	**518,994**	512,329
Contract liabilities		**236,822**	230,143
Other payables and accruals		**126,534**	142,130
Interest-bearing bank and other borrowings		**646,962**	74,880
Bond payables		**266,972**	51,233
Amount due to a director		**1**	1
Tax payable		**61,472**	69,453
Total current liabilities		**1,857,757**	1,080,169
NET CURRENT ASSETS		**946,241**	1,300,242
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,091,168**	1,370,238
NON-CURRENT LIABILITIES			
Bond payables		**542,417**	580,638
Deferred tax liabilities		**5,000**	5,000
Total non-current liabilities		**547,417**	585,638
Net assets		**543,751**	784,600
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	13	**226,010**	227,281
Reserves		**319,730**	558,435
		545,740	785,716
Non-controlling interests		**(1,989)**	(1,116)
Total equity		**543,751**	784,600

NOTES TO AUDITED FINANCIAL INFORMATION

Year ended 31 March 2019

1. CORPORATE 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**") 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, sugar, Chinese cigarettes and daily necessities.

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**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

Going concern basis

The Group recorded a consolidated loss before tax of approximately HK$150,841,000 for the year ended 31 March 2019.

As at 31 March 2019, the Group's total bills payables, bond payables and bank and other borrowings amounted to HK$1,969,303,000, of which HK$1,426,886,000 are classified as current liabilities. These current liabilities include the Group's bank and other borrowings of approximately HK$646,962,000, bond payables of approximately HK$266,972,000 and bills payable of approximately HK$512,952,000 which are due for repayment within the next twelve months after 31 March 2019.

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) *Financing and fund raising activities*

Group will actively negotiate with the banks and other financial institutions in the People's Republic of China ("**PRC**") to secure new financing arrangement to meet the Group's working capital and financial requirements in the near future. The Group will also 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$18,000,000 for the Group's working capital.

In the event that the Group cannot secure new financing arrangement for the repayment of bills payable, bond payables and bank and other borrowings which will be due in the next twelve months after 31 March 2019, the Group plans to use its internal financial resources to repay the borrowings.

(2) *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. The Group has also commenced operating a liquor industry oriented Business-to-Business platform in the PRC 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and its applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group has also elected to apply the practical expedients for completed contracts and has not restated amounts for the contracts completed before 1 April 2017, and no comparative information is disclosed for the transaction price allocated to the remaining performance obligations.

Set out below are the amounts by which each financial statement line item was affected as a result of the adoption of HKFRS 15 for the current and prior years:

	Note	**Increase/ (decrease) as at 31 March 2018**	**Increase/ (decrease) as at 1 April 2017**
		HK$'000	*HK$'000*
LIABILITIES			
Deposits received, other payables and accruals	*a*	(230,143)	(92,206)
Contract liabilities	*a*	230,143	92,206
Total current liabilities		–	–

Note a: Upon the adoption of HKFRS 15, the Group's deposits received from customers included in "Deposits received, other payables and accruals" in previously issued financial statements of the Group for the year ended 31 March 2018, have been reclassified as contract liabilities and separately disclosed in the consolidated statement of financial position. This had no impact on the profit or loss.

All customer contracts in force commencing from 1 April 2017 have been reviewed and assessed and it was determined that the application of HKFRS 15 had no significant impact on the recognition and measurement of revenue.

Apart from the above, the adoption of HKFRS 15 has had no significant impact on the financial position and/or financial performance of the Group for the year ended 31 March 2018. The impact on the statement of cash flows for the year ended 31 March 2018 only relates to the working capital adjustments. However, there was no impact on the net cash flows from operating activities. The cash flows from investing and financing activities were not affected.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9. The Group has not restated comparative information, which continues to be reported under HKAS 39.

Classification and measurement of financial instrument

The directors of the Company reviewed and assessed the Group's existing financial assets and financial liabilities as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost as were previously measured under HKAS 39.

Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

It is concluded that, as at 1 April 2018, no additional credit loss allowance has been recognised against accumulated losses as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under HKAS 39.

New and revised HKFRSs issued but not yet effective

The Group has not applied the following new and amendments to HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business[5]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for annual periods beginning on or after 1 January 2020.

[3] Effective for annual periods beginning on or after 1 January 2021.

[4] Effective for annual periods beginning on or after a date to be determined.

[5] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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 sugar, Chinese cigarettes and others ("**Sugar, cigarettes and others**").

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 2019

	Liquors *HK$'000*	Sugar, cigarettes and others *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	**1,554,865**	**150,020**	**1,704,885**
Foreign exchange gains, net	**298**	**–**	**298**
Changes in fair value of financial assets at fair value through profit or loss	**68,512**	**–**	**68,512**
Dividend income from financial assets at fair value through profit or loss	**2,387**	**–**	**2,387**
Total	**1,626,062**	**150,020**	**1,776,082**
Segment results	**(23,575)**	**(20,357)**	**(43,932)**
Reconciliation:			
Interest income			**524**
Other gains			**764**
Finance costs			**(108,197)**
Loss before tax			**(150,841)**
Other segment information:			
Depreciation	**8,075**	**2**	**8,077**
Loss from impairment of trade receivables	**2,908**	**–**	**2,908**
Reversal of impairment allowance of prepayments and other receivables	**(8,179)**	**–**	**(8,179)**
Provision for inventories in respect of write-down to net realisable value	**16,442**	**–**	**16,442**
Capital expenditure*	**17,894**	**–**	**17,894**

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

Year ended 31 March 2018

	Liquors *HK$'000*	Sugar, cigarettes and others *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	1,484,267	837,413	2,321,680
Foreign exchange losses, net	(215)	–	(215)
Total	1,484,052	837,413	2,321,465
Segment results	(79,829)	10,764	(69,065)
Reconciliation:			
Interest income			760
Other gains			6
Finance cost			(64,211)
Loss before tax			(132,510)
Other segment information:			
Depreciation	5,100	17	5,117
Loss on disposal of items of property, plant and equipment	293	–	293
Impairment loss on items of property, plant and equipment	3,872	–	3,872
Reversal of impairment allowance of trade receivables	(2,537)	–	(2,537)
Impairment allowance of prepayments and other receivables	7,490	–	7,490
Provision for inventories in respect of write-down to net realisable value	56,308	–	56,308
Capital expenditure*	17,009	–	17,009

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

Geographical information

	Hong Kong and others HK$'000	Mainland China HK$'000	Total HK$'000
Year ended 31 March 2019			
Revenue from external customers*	**484,868**	**1,220,017**	**1,704,885**
Non-current assets**	**8,720**	**29,097**	**37,817**
Year ended 31 March 2018			
Revenue from external customers*	430,492	1,891,188	2,321,680
Non-current assets**	9,033	20,951	29,984

* 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

Revenue from major customers contributing to 10% or more of the Group's revenue is set out below:

	Operating segment	**2019** *HK$'000*	2018 *HK$'000*
Customer A*	Liquors segment and Sugar, cigarettes and others segment	**457,780**	343,780
Customer B**	Liquors segment and Sugar, cigarettes and others segment	**326,244**	524,491
Customer C#	Sugar, cigarettes and others segment	**N/A**	304,345

* Revenue from Customer A including sales to two entities which are known to be under common control of one major customer.

** Revenue from Customer B including sales to three entities which are known to be under common control of one major customer.

\# Revenue from Customer C for the year ended 31 March 2019 was individually less than 10% of the Group's revenue for that year.

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 revenue, other income and gains, net is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Type of goods		
Sales of liquor products	**1,554,865**	1,484,267
Sales of sugar, cigarettes and daily necessities	**150,020**	837,413
Total revenue from contracts with customers	**1,704,885**	2,321,680
Geographical location of customers		
Mainland China	**1,220,017**	1,891,188
Hong Kong and others	**484,868**	430,492
Total revenue from contracts with customers	**1,704,885**	2,321,680
Other income and gains, net		
Bank interest income	**524**	760
Dividend income from financial assets at fair value through profit or loss	**2,387**	–
Changes in fair value of financial assets at fair value through profit or loss	**68,512**	–
Foreign exchange gains, net	**298**	–
Others	**764**	6
	72,485	766

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank, trust receipt and other loans	**8,353**	6,665
Interest on bond payables	**99,844**	57,546
	108,197	64,211

7. LOSS BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold**	**1,455,182**	2,039,705
Depreciation	**8,077**	5,117
Minimum lease payments under operating leases	**59,127**	35,797
Loss on disposal of items of property, plant and equipment	**–**	293
Impairment loss on items of property, plant and equipment*	**–**	3,872
Loss from impairment/(reversal of impairment allowance) of trade receivables*	**2,908**	(2,537)
(Reversal of impairment allowance)/loss from impairment of prepayments and other receivables*	**(8,179)**	7,490
Provision for inventories in respect of write-down to net realisable value**	**16,442**	56,308
Auditors' remuneration	**2,400**	3,150
Employee benefit expense (including directors' remuneration***):		
Wages, salaries, allowances and benefits in kind	**100,919**	90,140
Pension scheme contributions	**8,769**	8,467
Equity-settled share option expense	**5,208**	18,832
	114,896	117,439
Foreign exchange differences, net	**(298)**	215

* Included in "Reversal of impairment/(loss from impairment), net".

** Included in "Cost of sales".

*** The employee benefit expense (including directors' remuneration) includes housing benefit with aggregate rentals of HK$10,077,000 (2018: HK$9,640,000), which is also included in the total amount of minimum lease payment under operating leases disclosed separately above.

At 31 March 2019, the Group had no forfeited contributions available to reduce its contribution to the pension schemes in future years (2018: Nil).

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the prior year. During the current year, no provision for Hong Kong profits tax was made as the Group had 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.

	2019	2018
	HK$'000	*HK$'000*
Current – charge for the year		
Hong Kong	**–**	2,529
Overprovision in prior years		
Hong Kong	**(30)**	–
Other jurisdictions	**(4,156)**	–
Deferred taxation	**–**	1,000
Total tax (credit)/expense for the year	**(4,186)**	3,529

9. DIVIDENDS

The Company's directors do not recommend the payment of any dividend for the year ended 31 March 2019 (2018: Nil).

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

The calculation of basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$145,782,000 (2018: HK$135,977,000), and the weighted average number of ordinary shares of 2,266,476,332 (2018: the number of ordinary shares of 2,272,808,946) in issue during the year.

For the years ended 31 March 2019 and 31 March 2018, the diluted loss per share is equal to the basic loss per share as the share options outstanding had an anti-dilutive effect.

11. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**326,359**	260,225
Less: impairment allowance	**(188,870)**	(198,271)
Net trade receivables	**137,489**	61,954
Bills receivable	**–**	1,232
	137,489	63,186

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 61% (2018: 42%) of the trade and bills receivables balances as at 31 March 2019 represented receivables from top 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 aging 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:

	2019	2018
	HK$'000	*HK$'000*
Within 2 months	**44,548**	28,049
2 to 6 months	**28,726**	35,118
6 months to 1 year	**64,215**	19
	137,489	63,186

12. TRADE AND BILLS PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**2,779**	21,388
1 month to 3 months	**–**	134
Over 3 months	**516,215**	490,807
	518,994	512,329

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 2019, the Group's bills payable amounted to HK$512,952,000 (2018: HK$487,465,000) which were secured by the Group's pledged bank deposits of HK$58,466,000 (2018: HK$492,915,000).

13. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
100,000,000,000 (2018: 100,000,000,000) ordinary shares of HK$0.1 each	**10,000,000**	10,000,000
Issue and fully paid:		
2,260,097,946 (2018: 2,272,808,946) ordinary shares of HK$0.1 each	**226,010**	227,281

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year ended 31 March 2019 (the "**Year under Review**"), the Group recorded a total revenue of approximately HK$1,704.9 million (2018: HK$2,321.7 million), representing a decrease of approximately 26.6% when compared to last year. Excluding the provision for inventories, during the Year under Review, the Group's gross profit was approximately HK$249.7 million (2018: HK$282.0 million). The gross profit margin before provision for inventories was approximately 14.6% (2018: 12.1%), while the loss for the year attributable to the ordinary equity holders of the Company was approximately HK$145.8 million (2018: HK$136.0 million). Basic loss per share was approximately HK6.43 cents (2018: HK5.98 cents). During the Year under Review, the revenue generated from the PRC market and the international market accounted for approximately 71.6% (2018: 81.5%) and approximately 28.4% (2018: 18.5%) of the Group's total revenue respectively.

Baijiu Business

The sales of China's baijiu industry has been on an upward trend over the past few years, and coupled with the steady increase in market prices, the revenue and total profit of the industry have also recorded successive growth in the same period. According to the statistics of the National Bureau of Statistics of the PRC (國家統計局), as illustrated by the accumulated revenue performance of sizable baijiu markers, in 2018, the revenue of baijiu industry as a whole was approximately RMB812.2 billion, representing a year-over-year increase of approximately 10.2%; while the total profit of baijiu industry was approximately RMB147.7 billion, representing a year-over-year increase of approximately 23.9%. The Group witnessed the industry-wide rebound since 2016, and by the second half of 2018, the growth momentum of liquor companies and market demand have begun to slow down. It is generally believed that the overall growth rate in 2019 will be lower than that of last year.

Over the years, China's baijiu industry has experienced several stages of development and adjustment. The industry experienced two rounds of impressive development during 1989-1998 and 2005-2012, which were followed by two rounds of adjustment during 1998-2004 and 2012-2015 respectively. Chinese baijiu is one of the most distinctive and representative features of Chinese traditional culture. With the upgrade of consumption pattern and change in consumption concepts in the past few years, the pursuit of branding and cultural embodiment will be a definite trend in baijiu consumption in the years ahead. Currently, high-end baijiu segment is still in a stable development phase. Its competitive advantages will become more obvious and evident in the future.

As a national baijiu distributor in China, the Group has been closely following changes in the supply and demand in China's baijiu market in order to push forward the broader development of the industry. During the Year under Review, the Group continued to focus on its high-end baijiu development strategy and actively sought for suitable mid to low end baijiu partners. The "Wine Kingdom" B2B online platform, which was established by the Group in 2016, successfully revolutionised the traditional industry distribution model, achieved flat sales channels and transparent pricing. The platform has been in operation since then and is gradually getting more stable and mature. Its development progress is in line with our expectation. While striving to develop its online business, the Group is also actively implementing strategies targeting the offline retail market and continuing to further explore the paths for the development of various emerging retail channels, so as to achieve seamless integration of its online and offline businesses. In addition to its focused development of Moutai and Wuliangye businesses over the years, the Group has also been committed to the strengthening of its low-end and middle-range product lines. Guizhou Yaxi, one of Guizhou's famous liquors, is a brand being actively promoted by the Group in recent years. The Group expects to strengthen its competitiveness with more robust and diversified product lines.

Furthermore, as the domestic market is becoming more mature, China's baijiu industry has been actively exploring international market in recent years and is committed to expand its global footprint through aggressive marketing and communication campaigns. During the Year under Review, responding to the overseas development plans rolled out by various baijiu merchants, the Group has also commenced its expansion into European market with Poland as its first entry point. Following the establishment of an operation office in Poland, the Group is on its way to establishing its presence in additional Eastern European countries, including Czech Republic, Hungary and Slovakia, to conduct business and promote the Chinese baijiu culture in these overseas markets.

Wine and Cigarettes

As consumers in China are more knowledgeable about wines in recent years, the market demand for wine has been increasing accordingly. The Group expects China's wine market will continue to develop steadily and management will pay close attention to the development and changes in the market and make appropriate plans and adjustments. The revenue of the cigarette business during the Year under Review decreased/ maintained at a similar level when compared to last year.

Non-alcohol Business

The entire baijiu industry has underwent a transforming internet technology upgrade triggered by the development of liquor e-commerce. Meanwhile, the polarisation of the baijiu industry has become more severe, which intensified the industry competition among distributors. At the same time, as economies of scale is necessary for the continuous development of e-commerce business, liquor e-commerce players has to make substantial investment to capture market share, which in turn creates various challenges concerning sustainable development. In response to the uncertainties brought by the industry changes, the Group has previously utilised its national network through the B2B Platform and tapped into the development of non-alcoholic products so as to increase user stickiness and maximise the value of our platform. After reassessing the cost, gross profit margin of our non-alcohol business and weighing its contribution to the total sales of the Group as a whole, the Group made certain adjustments by allocating more resources to the Group's core alcohol business. It is expected that the Group's core alcohol business will have a clearer development target and the consolidated gross profit margin will improved further.

Wine Kingdom B2B Platform

In the past few years, propelled by the changes in landscape arising from the continuous innovation in the circulation field and the emergence of new retail and e-commerce channels, China's baijiu industry has entered a new retail era.

During the Year under Review, the Group's B2B Platform has still maintained its steady development trajectory. With increasingly diversified product coverage as a catalyst, members' attention and activity have also increased. Apart from continuing to focus on cultivating the existing distribution network and business members, the Group also undertook moderate 2.0 system upgrade for its B2B Platform. The upgrade is mainly aimed at product lines and marketing channels. Through the enrichment and expansion of alcoholic product range offered online, such as the addition of Japanese sake and beer, the Group has successfully promoted active users' activities. The Group has also adopted the use of latest and popular media channels such as TikTok to further stimulate platform sales during special festivals.

Outlook and Future Development

Entering 2019 and facing a gloomier global economic outlook clouded by increasing uncertainty, the overall consumer market will inevitably be impacted to a certain extent. For the baijiu industry, the development of high-end baijiu with well-recognised brand and quality will become increasingly rational. The Group still has unwavering and full confidence in the orderly future development of the industry.

In 2019, the Group will uphold its strategy of continuous improvement in three areas, namely products, channels and management. In terms of products, the Group will strengthen its communications with its core suppliers, increase the allocation of resources to the core brand products, and enhance the market competitiveness of the Company's products. In terms of channels, the Group will continue to deepen flat channel management through the "Wine Kingdom" B2B platform and implement stringent cost controls to enhance the Company's profitability. In addition, with overseas market becoming a new arena for Chinese baijiu, the Group will also strive to establish its footholds in other Eastern European countries, including the Czech Republic, Hungary and Slovakia. In terms of management, the Group will continue to optimise its organisational structure, increase per capita performance, and respond to ever-changing market conditions in a more flexible and nimble way.

To ensure the sustainable development of its business, the Group will seek for vertical integration with core alcohol product as its major business line, so as to achieve the Group's overall strategic vision of becoming a dedicated and specialised baijiu distributor. The Group will continue to pursuit its strategic focus, optimise operation management, enhance market competitiveness and profitability, and create greater value for its investors.

FINANCIAL REVIEW

Revenue and Gross Profit

The Group generates its revenue primarily from sales of high-end liquors. For the year ended 31 March 2019, the Group recorded a total revenue of approximately HK$1,704.9 million, representing a decrease of approximately 26.6% compared to a total revenue of HK$2,321.7 million for the year ended 31 March 2018. For the year ended 31 March 2018, approximately 71.6% of revenue was derived from the PRC market (2018: 81.5%).

The Group's revenue derived from the distribution of liquors represented approximately 91.2% of the total revenue for the year ended 31 March 2019 (2018: 63.9%) while the revenue derived from the distribution of sugar, cigarettes and others represented approximately 8.8% of the total revenue for the year ended 31 March 2019 (2018: 36.1%).

The Group's gross profit for the year ended 31 March 2019 was approximately HK$233.3 million (2018: HK$225.7 million). The increase in gross profit was mainly due to the increase in selling price of some significant products during the year. Excluding the factor of provision for inventories, the Group's gross profit for the year ended 31 March 2019 was approximately HK$249.7 million (2018: HK$282.0 million), the gross profit ratio before provision for inventories was approximately 14.6% (2018: 12.1%).

Other Income and Gains, Net

Other income and gains, net amounted to approximately HK$72.5 million for the year ended 31 March 2019 (2018: HK$0.8 million). Such increase was mainly due to dividend income from and changes in fair value of financial assets at fair value through profit or loss.

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$263.2 million (2018: HK$198.7 million) accounting for approximately 15.4% (2018: 8.6%) of the revenue of the Group for the year ended 31 March 2019. Such increase was mainly due to the increase in expenses for marketing and promotion of new products, expansion of international market business, and upgrading the internet platform and the Internet of Things projects.

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.

Administrative Expenses

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

Administrative expenses amounted to approximately HK$90.4 million (2018: HK$87.0 million) accounting for approximately 5.3% (2018: 3.7%) of the revenue of the Group for the year ended 31 March 2019. Administrative expenses maintained at the similar level as previous year.

Reversal of Impairment/(Loss from Impairment), Net

Gain recorded in this account amounted to approximately HK$5.3 million (2018: loss of HK$8.8 million) for the year ended 31 March 2019. The change was mainly due to reversal of impairment allowance for prepayments and other receivables during the year.

Finance Costs

Finance costs amounted to approximately HK$108.2 million (2018: HK$64.2 million) representing approximately 6.3% (2018: 2.8%) of the Group's revenue for the year ended 31 March 2019. The finance costs include interest on bank and trust receipt loans and interest on bond payables. Such increase was mainly due to the increase in interest on bond payables which were issued during the Year under Review.

Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the prior year. During the current year, no provision for Hong Kong profits tax was made as the Group had 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.

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 2019 amounted to approximately HK$145.8 million, as compared to a loss attributable to ordinary equity holders of the Company of approximately HK$136.0 million in 2018.

Dividends

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

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019.

Inventories

As at 31 March 2019, the Group's inventories was approximately HK$1,028.1 million (2018: HK$904.4 million). The increase was mainly due to the increase in the purchase cost of inventories during the Year under Review.

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 increase in trade receivables was mainly due to the increase in credit sales and credit terms 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$188.9 million (2018: HK$198.3 million) had been made by the Group as at 31 March 2019.

As at 31 March 2019, the trade and bills receivables net of provision were approximately HK$137.5 million (2018: HK$63.2 million). Approximately 32.4% of the net trade and bills receivables were aged within two months as at 31 March 2019 (2018: 44.4%). 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 and B2B business.

Up to the date of this announcement, the Group's subsequent settlement of the trade and bills receivables was approximately HK$6.6 million.

Trade and Bills Payables

As at 31 March 2019, the trade payables was approximately HK$519.0 million (2018: HK$512.3 million). The trade and bills payables maintained at the similar level as previous year.

Liquidity and Financial Resources

As at 31 March 2019, the Group had bank balances and cash of approximately HK$598.1 million (2018: HK$418.9 million), approximately 78.8% (2018: 43.3%) of which was denominated in RMB, approximately 17.1% (2018: 45.5%) of which was denominated in Hong Kong dollars and approximately 4.1% (2018: 11.2%) of which was denominated in other currencies. The increase in bank balances and cash was mainly due to the increase in cash generated from new bank loans and proceeds from issue of bonds. As at 31 March 2019, the Group's net current assets were approximately HK$946.2 million (2018: HK$1,300.2 million).

Capital Structure of the Group

The interest-bearing bank and other borrowings as at 31 March 2019 were approximately HK$647.0 million (2018: HK$74.9 million) which were bank loans and other loan. All (2018: 100.0%) of which were denominated in RMB.

The Group's bank loan was denominated in RMB.

The Group's bank loan in the amount of HK$64.1 million (2018: HK$74.9 million) containing a repayment on demand clause is included within current interest-bearing bank and other borrowings.

Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loan are: HK$64.1 million (2018: HK$74.9 million) repayable within one year and nil (2018: nil) repayable over one year.

As at 31 March 2019, the Group's interest-bearing bank and other borrowings are secured by the Group's inventories with cost of RMB750.0 million (equivalent to HK$874.3 million) (2018: RMB250.0 million (equivalent to HK$312.0 million), and were supported by corporate guarantees executed by the Company, a director of the Company, subsidiaries of the Company and a related company of the Company (2018: corporate guarantees executed by the Company and a subsidiary of the Company).

During the Year under Review, the Group issued bonds with an aggregate principal amount of HK$160.2 million before related expenses of HK$27.2 million, to certain independent entities and individuals. These bonds bear interest at rates ranging from 6% to 7% per annum and will mature in the period from April 2021 to May 2026. The interest is repayable by the Group semi-annually or annually from the issue dates of the respective bonds and up to the maturity date.

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 and other borrowings, trade and bills payables, contract liabilities, other payables and accruals, amount due to a director and bond payables less bank balances and cash. Total capital represents equity attributable to the ordinary equity holders of the Company. As at 31 March 2019, the gearing ratio was approximately 76.1% (2018: 59.9%).

Employment and Remuneration Policy

The Group had a total work force of 293 employees in Hong Kong and the PRC as at 31 March 2019 (2018: 283 employees). The total salaries and related costs (including Directors' fee) amounted to approximately HK$114.9 million for the year ended 31 March 2019 (2018: HK$117.4 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 shareholders of 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.

The Share Option Scheme has expired on 19 February 2019. As at 31 March 2019, the maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme is 220,800,000 shares.

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$23.4 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$22.0 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

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements which indicates that the Group incurred a consolidated loss before tax of HK$150,841,000 during the year ended 31 March 2019 and, as of that date, the Group recorded outstanding bond payables of HK$266,972,000, bank and other borrowings of HK$646,962,000 and bills payable of HK$512,952,000 which are due for repayment within the next twelve months after 31 March 2019. The Group's ability to continue as going concern is depend on the ongoing availability of external finance to the Group and results of other measures as disclosed in note 2.1 to the consolidated financial statements. The above conditions indicated that a material uncertainty exists that may cast significant doubt on the Group's abilities to continue as a going concern. 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 in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year ended 31 March 2019.

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 2019.

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 2019 including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED ("SHINEWING") 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 profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Company's auditor, SHINEWING, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by SHINEWING 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING on this 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. Chen Xiaoxu. Mr. Hung Sui Kwan is the chairman of the Compliance Committee.

The Compliance Committee has reviewed the confirmation given by Mr. Liang Guoxing 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 2019, the Company repurchased a total of 12,711,000 shares of the Company 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	**Date of cancellation of shares repurchased**	**Number of shares repurchased**	**Highest price paid per share** *HK$*	**Lowest price and per share** *HK$*	**Total share price** *HK$*
11 July 2018	25 July 2018 *(note i)*	5,388,000	0.59	0.54	3,038,070
2 October 2018	19 October 2018 *(note ii)*	3,177,000	0.55	0.51	1,700,160
25 October 2018	20 November 2018 *(note ii)*	2,148,000	0.52	0.48	1,074,645
12 December 2018	11 January 2019 *(note ii)*	1,998,000	0.50	0.47	979,290
		12,711,000			6,792,165

Notes:

(i) 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 annual general meeting of the Company convened on 18 August 2017.

(ii) 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 annual general meeting of the Company convened on 24 August 2018.

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

On 26 April 2018, the Group entered into an agreement with Mr. Chen Xiaolong ("**Mr. Chen**"), an independent third party, pursuant to which Mr. Chen conditionally agreed to sell and the Group conditionally agreed to acquire 51% of the issued shares of the target company and its subsidiary at a maximum total consideration of RMB18,000,000, which will be satisfied by the issue of up to 12,000,000 consideration Shares. Details of the agreement are set out in the announcement of the Company dated 26 April 2018 (the "**Announcement**").

As at the date of this announcement, the consideration Shares for Performance Period I (as defined in the Announcement) has not been issued by the Company. The Company is still negotiating new terms and conditions with Mr. Chen, among other things, to increase the gross profit margin of the B2B Platform (as defined in the Announcement) generated through the sales to customers introduced by Mr. Chen. As such, the number of the consideration Shares may be adjusted once an agreement is reached between the Group and Mr. Chen.

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 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**Annual General Meeting**") will be held in Hong Kong on Friday, 23 August 2019. 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 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19 August 2019 to Friday, 23 August 2019, 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 Friday, 16 August 2019.

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 2019 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 2019

As at the date of this announcement, the Board comprises Mr. Liang Guoxing (Chairman), Mr. Yan Jun (Chief Executive Officer) and Ms. Chen Xiaoxu 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.