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## **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 2020**

#### **FINANCIAL HIGHLIGHTS**

- Revenue was approximately HK\$1,631.0 million
- Gross profit was approximately HK\$310.8 million
- Loss for the year attributable to ordinary equity holders of the Company was approximately HK\$173.2 million
- Loss per share (approximately)

Basic	HK7.66 cents
Diluted	HK7.66 cents
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2020

#### **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 2020, together with the comparative figures for the previous year in 2019, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 March 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>REVENUE</b>	5	<b>1,630,977</b>	1,704,885
Cost of sales		<u>(1,320,192)</u>	<u>(1,471,624)</u>
Gross profit		<b>310,785</b>	233,261
Other income, gains and losses		<b>21,572</b>	72,485
Selling and distribution expenses		<b>(192,262)</b>	(263,247)
Administrative expenses		<b>(96,003)</b>	(90,414)
(Loss from impairment)/reversal of impairment, net	7	<b>(104,161)</b>	5,271
Finance costs	6	<u>(109,991)</u>	<u>(108,197)</u>
<b>LOSS BEFORE TAX</b>	7	<b>(170,060)</b>	(150,841)
Income tax credit	8	<u>—</u>	<u>4,186</u>
<b>LOSS FOR THE YEAR</b>		<u><b>(170,060)</b></u>	<u>(146,655)</u>
<b>ATTRIBUTABLE TO:</b>			
<b>ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<b>(173,172)</b>	(145,782)
<b>NON-CONTROLLING INTERESTS</b>		<u><b>3,112</b></u>	<u>(873)</u>
		<u><b>(170,060)</b></u>	<u>(146,655)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic (HK cents)	10	<u><b>(7.66)</b></u>	<u>(6.43)</u>
Diluted (HK cents)	10	<u><b>(7.66)</b></u>	<u>(6.43)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*Year ended 31 March 2020*

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>LOSS FOR THE YEAR</b>	<b>(170,060)</b>	(146,655)
<b>OTHER COMPREHENSIVE EXPENSE</b>		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(78,067)</u>	<u>(92,610)</u>
<b>OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX</b>	<u>(78,067)</u>	<u>(92,610)</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>	<u>(248,127)</u>	<u>(239,265)</u>
<b>ATTRIBUTABLE TO:</b>		
<b>ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<b>(251,239)</b>	(238,392)
<b>NON-CONTROLLING INTERESTS</b>	<u>3,112</u>	<u>(873)</u>
	<u>(248,127)</u>	<u>(239,265)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		14,571	29,517
Right-of-use assets		53,429	–
Intangible asset		8,300	8,300
Financial assets at fair value through profit or loss		112,012	94,820
Deposits		153,125	8,290
Deferred tax assets		4,000	4,000
		<b>345,437</b>	144,927
<b>CURRENT ASSETS</b>			
Inventories		355,605	1,028,129
Trade and bills receivables	11	93,387	137,489
Prepayments, deposits and other receivables		350,814	981,827
Pledged deposits		–	58,466
Bank balances and cash		698,525	598,087
		<b>1,498,331</b>	2,803,998
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	3,783	518,994
Other payables and accruals		182,890	126,534
Contract liabilities		312,704	236,822
Interest-bearing bank and other borrowings		84,277	646,962
Lease liabilities		25,392	–
Bond payables		518,128	266,972
Amount due to a director		91,840	1
Tax payable		55,644	61,472
		<b>1,274,658</b>	1,857,757
<b>NET CURRENT ASSETS</b>		<b>223,673</b>	946,241
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>569,110</b>	1,091,168
<b>NON-CURRENT LIABILITIES</b>			
Bond payables		209,948	542,417
Lease liabilities		56,252	–
Deferred tax liabilities		5,000	5,000
Total non-current liabilities		<b>271,200</b>	547,417
<b>NET ASSETS</b>		<b>297,910</b>	543,751
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company</b>			
Issued capital	13	226,010	226,010
Reserves		70,777	319,730
		<b>296,787</b>	545,740
<b>Non-controlling interests</b>		<b>1,123</b>	(1,989)
<b>TOTAL EQUITY</b>		<b>297,910</b>	543,751

# NOTES TO AUDITED FINANCIAL INFORMATION

31 March 2020

## 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 25th Floor, One Hennessy, 1 Hennessy 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, sugar, Chinese cigarettes and daily necessities.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), rounded to the nearest thousand except when otherwise indicated. Hong Kong dollar is the Company’s functional and the Group’s presentation currency.

## 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\$170,060,000 for the year ended 31 March 2020. As at 31 March 2020, the Group’s total bond payables and bank and other borrowings amounted to approximately HK\$812,353,000, of which approximately HK\$602,405,000 are classified as current liabilities. These current liabilities include the Group’s bank and other borrowings of approximately HK\$84,277,000 and bond payables of approximately HK\$518,128,000 which are due for repayment within the next twelve months after 31 March 2020.

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*

The 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 renewed unlisted bonds with an aggregate principal amount of approximately HK\$43,100,000 for the Group's working capital.

(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 diversify the Group's sales channels and product mix with the aim to attain profitable and positive cash flow operations.

(3) The director of the Company has agreed not to demand for any repayment due to him of approximately HK\$91,840,000 as at 31 March 2020 within the next twelve months and until the Group is in a financial position to do so.

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 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

Except as described 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 positions for the current year and prior years and/or on the disclosures set out in these consolidated financial statements.

### Impact on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 *Leases* retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019, and has not been restated comparatives for the 2019 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

#### *The Group as lessee*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 were 2.14% – 8.53%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The following table summarises the impact of transition to HKFRS 16 at 1 April 2019. Line items that were not affected by the adjustments have not been included.

		<b>Carrying amount previously reported at 31 March 2019</b>	<b>Impact on adoption of HKFRS 16</b>	<b>Carrying amount as restated at 1 April 2019</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Right-of-use assets	(a)	–	121,126	121,126
Lease liabilities	(a)	–	(121,126)	(121,126)

*Note:*

- (a) As at 1 April 2019, right-of-use assets were measured at an amount equal to the lease liabilities of approximately HK\$121,126,000.

#### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products 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 2020**

	<b>Liquors</b>	<b>Sugar, cigarettes and others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Segment revenue:</b>			
Sales to external customers	1,627,366	3,611	1,630,977
Foreign exchange difference, net	(671)	–	(671)
Changes in fair value of financial assets at FVTPL	17,192	–	17,192
Dividend income from financial assets at FVTPL	2,130	–	2,130
	<hr/>	<hr/>	<hr/>
Total	1,646,017	3,611	<u>1,649,628</u>
<b>Segment results</b>	<b>(63,527)</b>	<b>705</b>	<b>(62,822)</b>
<i>Reconciliation:</i>			
Interest income			1,773
Other gains			980
Finance cost			<u>(109,991)</u>
Loss before tax			<u>(170,060)</u>
<b>Other segment information:</b>			
Depreciation of property, plant and equipment	6,810	6	6,816
Depreciation of right-of-use assets	25,142	–	25,142
Loss from impairment allowance of trade and bills receivables	51,043	–	51,043
Loss from impairment allowance of prepayments, deposits and other receivables	22,515	–	22,515
Loss from impairment of property, plant and equipment	6,558	–	6,558
Loss from impairment of right-of-use assets	24,045	–	24,045
Provision for inventories in respect of write-down to net realisable value	18,204	–	18,204
Gain on disposal of property, plant and equipment	(18)	–	(18)
Loss on written off of property, plant and equipment	5,932	–	5,932
Capital expenditure*	<u>6,068</u>	<u>–</u>	<u>6,068</u>

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

Year ended 31 March 2019

	Liquors <i>HK\$'000</i>	Sugar, cigarettes and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>			
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
	<u>1,626,062</u>	<u>150,020</u>	<u>1,776,082</u>
<b>Total</b>	<b>1,626,062</b>	<b>150,020</b>	<b>1,776,082</b>
<b>Segment results</b>	<b>(23,575)</b>	<b>(20,357)</b>	<b>(43,932)</b>
<i>Reconciliation:</i>			
Interest income			524
Other gains			764
Finance cost			<u>(108,197)</u>
Loss before tax			<u>(150,841)</u>
<b>Other segment information:</b>			
Depreciation of property, plant and equipment	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
	<u>17,894</u>	<u>–</u>	<u>17,894</u>

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

## Geographical information

	<b>Mainland China</b> <i>HK\$'000</i>	<b>Hong Kong and others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Year ended 31 March 2020</b>			
Revenue from external customers*	<b>1,287,256</b>	<b>343,721</b>	<b>1,630,977</b>
Non-current assets**	<b>49,153</b>	<b>27,147</b>	<b>76,300</b>
<b>Year ended 31 March 2019</b>			
Revenue from external customers*	<b>1,220,017</b>	<b>484,868</b>	<b>1,704,885</b>
Non-current assets**	<b>29,097</b>	<b>8,720</b>	<b>37,817</b>

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

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

## 5. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

Revenue from contracts with customers is recognised at a point in time.

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>		
<i>Type of goods</i>		
Sales of liquor products	<b>1,627,366</b>	1,554,865
Sales of Sugar, cigarettes and daily necessities	<b>3,611</b>	150,020
	<hr/>	<hr/>
Total revenue from contracts with customers within the scope of HKFRS 15	<b>1,630,977</b>	1,704,885
	<hr/> <hr/>	<hr/> <hr/>
<i>Geographical location of customers</i>		
Mainland China	<b>1,287,256</b>	1,220,017
Hong Kong and others	<b>343,721</b>	484,868
	<hr/>	<hr/>
Total revenue from contracts with customers within the scope of HKFRS 15	<b>1,630,977</b>	1,704,885
	<hr/> <hr/>	<hr/> <hr/>

## 6. FINANCE COSTS

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank and other loans	<b>11,115</b>	8,353
Interest on bond payables	<b>93,295</b>	99,844
Interest on lease liabilities	<b>5,581</b>	–
	<hr/>	<hr/>
	<b>109,991</b>	108,197
	<hr/> <hr/>	<hr/> <hr/>

## 7. LOSS BEFORE TAX

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

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Loss from impairment of trade receivables*	<b>51,043</b>	2,908
Loss from impairment/(reversal of impairment allowance) of prepayments and other receivables*	<b>22,515</b>	(8,179)
Loss from impairment of property, plant and equipment*	<b>6,558</b>	–
Loss from impairment of right-of-use assets*	<b>24,045</b>	–
	<b>104,161</b>	(5,271)
Cost of inventories sold**	<b>1,301,988</b>	1,455,182
Depreciation of property, plant and equipment	<b>6,816</b>	8,077
Depreciation of right-of-use assets***	<b>25,142</b>	–
Minimum lease payments under operating leases under HKAS 17***	N/A	59,127
Gain on disposal of property, plant and equipment	<b>(18)</b>	–
Loss from written off of property, plant and equipment	<b>5,932</b>	–
Provision for inventories in respect of write-down to net realisable value**	<b>18,204</b>	16,442
Auditor's remuneration	<b>2,080</b>	2,400
Employee benefit expense (including directors' remuneration***):		
Wages, salaries, allowances and benefits in kind	<b>97,906</b>	100,919
Pension scheme contributions	<b>9,521</b>	8,769
Equity-settled share option expense	<b>2,286</b>	5,208
	<b>109,713</b>	114,896
Foreign exchange differences, net	<b>671</b>	(298)

\* Included in “(Loss from impairment)/reversal of impairment, net”.

\*\* Included in “Cost of sales”.

\*\*\* The employee benefit expense (including directors' remuneration) includes housing benefit with aggregate rentals of approximately HK\$11,375,000 (2019: HK\$10,077,000), of which HK\$10,537,000 rental expenses for short-term leases and approximately HK\$838,000 depreciation of right-of-use assets disclosed above.

At 31 March 2020, the Group had no forfeited contributions available to reduce its contribution to the pension schemes in future years (2019: Nil).

## 8. INCOME TAX

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 in the prior year. During the current year, no provision for Hong Kong profits tax was made as there is no assessable profit during the current 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.

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Overprovision in prior years		
Hong Kong	–	(30)
Other jurisdictions	–	(4,156)
	<u>–</u>	<u>(4,186)</u>
Total tax credit for the year	<u>–</u>	<u>(4,186)</u>

## 9. DIVIDENDS

The Company's directors do not recommend the payment of any dividend for the year ended 31 March 2020 (2019: 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 approximately HK\$173,172,000 (2019: HK\$145,782,000), and the weighted average number of ordinary shares of 2,260,097,946 (2019: 2,266,476,332) in issue during the year.

For the year ended 31 March 2020 and 31 March 2019, 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

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>320,271</b>	326,359
Less: impairment allowance	<b>(229,237)</b>	(188,870)
	<u><b>91,034</b></u>	<u>137,489</u>
Net trade receivables	<u><b>91,034</b></u>	<u>137,489</u>
Bills receivable	<u><b>2,353</b></u>	<u>–</u>
	<u><b>93,387</b></u>	<u>137,489</u>

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:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 2 months	<b>12,667</b>	44,548
2 to 6 months	<b>5,423</b>	28,726
6 months to 1 year	<b>9,703</b>	64,215
Over 1 year	<b>65,594</b>	–
	<u><b>93,387</b></u>	<u>137,489</u>

## 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:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	<b>147</b>	2,779
1 month to 3 months	<b>575</b>	–
Over 3 months	<b>3,061</b>	516,215
	<u><b>3,783</b></u>	<u>518,994</u>

## 13. SHARE CAPITAL

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised:		
100,000,000,000 (2019: 100,000,000,000) ordinary shares of HK\$0.1 each	<u><b>10,000,000</b></u>	<u>10,000,000</u>
Issue and fully paid:		
2,260,097,946 (2019: 2,260,097,946) ordinary shares of HK\$0.1 each	<u><b>226,010</b></u>	<u>226,010</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Overview

For the year ended 31 March 2020 (the “**Financial Year**”), the Group recorded a total revenue of approximately HK\$1,631.0 million (2019: HK\$1,704.9 million), representing a decrease of approximately 4.3% when compared to last year. Excluding the provision for inventories, during the Financial Year, the Group’s gross profit was approximately HK\$329.0 million (2019: HK\$249.7 million). The gross profit margin before provision for inventories was approximately 20.2% (2019: 14.6%), while the loss for the year attributable to the ordinary equity holders of the Company was approximately HK\$173.2 million (2019: HK\$145.8 million). Basic loss per share was approximately HK7.66 cents (2019: HK6.43 cents).

During the Financial Year, the revenue generated from the PRC market and the international market accounted for approximately 78.9% (2019: 71.6%) and approximately 21.1% (2019: 28.4%) respectively.

#### Baijiu Business

The sudden outbreak of coronavirus – COVID-19 has caused China’s GDP down 6.8% year-on-year in the first quarter of 2020, marking the first time in nearly four decades that China’s economy has recorded negative quarterly growth. Meanwhile, China’s total retail sales of social consumer goods which represents consumption in the first quarter of the year plummeted by 19.0% year-on-year, and the enterprise above designated size in the national liquor industry recorded sales of RMB120.7 billion from January to February 2020, decreased by 15.6% year-on-year. Among them, baijiu’s sales revenue accounted for RMB88.7 billion, decreased by 11.7% year-on-year; profits also decreased by 8.8% year-on-year.

In addition, the pandemic has severely hit China’s liquor industry during the festive Chinese New Year’s sales season. As China made every effort to prevent and control the pandemic by prohibiting mass movement and gathering of people, and implementing home isolation policy, food and beverage and tourism-related consumption were the most affected sectors, and market consumption demand was significantly reduced. At the same time, measures such as work resumption delay by companies would result in a reduction in production or stagnation of development in the manufacturing sector. Such a “black swan” incident has brought another major challenge to the liquor industry which was just entering the phase of recovery.



The development trend of the liquor industry has long been more in line with the pace of the domestic macro economy. With the pandemic hitting hard on China's economy and the country's overall development facing strong downward pressure, baijiu as a traditional industry is not an exception to the stiff headwind. However, with the rapid emergence of new consumption concepts and online consumption habits in recent years, liquor enterprises and merchants have already embraced e-commerce. The pandemic is fuelling the stay-at-home economy, and major liquor enterprises have further strengthened the deployment of e-commerce channels, while investing more resources in e-commerce platform operation, supply chain management, artificial intelligence and big data, bringing a new turning point to the development of the industry.

### **E-commerce**

Since its establishment, the Group's Wine Kingdom B2B Platform has been focusing on satisfying the needs of the market and its members, and has achieved more optimised services through several system upgrades of the B2B Platform. At the same time, the Group has also started to launch various promotions targeting young consumers by using social media to approach this new consumer group with introduction of different alcoholic products, thereby driving online consumption.

Nowadays, with marketing channels evolving and consumption scenario ever changing, many liquor companies are extending their footprint to micro-commerce so as to capture the new retail market presented by social media. In view of the unique advantages of micro-commerce – swift sales of affordable products in a short cycle as compared with traditional channels, the Group launched an Wechat application, “WEjiu”, during the Financial Year. “WEjiu” is created based on the Group's smart retail strategy, which integrates the service concept of social e-commerce new retail with product procurement, pricing, sales, logistics and other all-in-one processes. The Group is dedicated to develop “WEjiu” into an online empowerment operator and distributor, providing premium service experience for consumers and building a new social e-commerce ecosystem. Since the launch of “WEjiu”, the Group has held a number of promotional activities, including trade fairs, liquor factory visits and product promotions, which successfully boosted online sales of whiskey, wines and sake and enhanced the product penetration rate.

### **Wine and Cigarettes Business**

The PRC is currently the world's fifth largest country in wine consumption. The demand for wine has continued to rise as wine has become more popular in the PRC. 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. On the other hand, the revenue of the cigarette business during the Financial Year has increased when compared to the corresponding period of the previous year.

## **Non-alcohol Business**

Since the fourth quarter of 2018, the Group has made corresponding adjustments to this business after balancing cost, gross profit margin, and contribution to the total sales. The Group will continue to dedicate its resources mainly to its core alcohol business, and will undergo non-alcohol business operations after careful consideration of the best options available.

## **Outlook and Future Development**

The Group considers that the impact of the COVID-19 pandemic on the baijiu industry is only temporary. As a unique consumer product with deep cultural heritage in China, there is always a clear development pattern in the baijiu industry. The pandemic has only brought certain interfering factors, and the impact on the industry in the medium to long term is expected to be mild. We continue to believe that the liquor industry will benefit in the long term from two core developments - “consumption upgrading” and “centralisation”. Once the pandemic is finally under effective control, we are optimistic about the recovery of baijiu consumption. At the same time, the pandemic has accelerated the integration of the liquor industry distribution channels, community marketing and online marketing, starting a new chapter for the e-commerce development of the liquor industry.

As a national baijiu distributor in the PRC, the Group will also continue to leverage its increasingly established e-commerce business through big data empowerment to enhance overall revenue. In addition, as overseas market becomes a new arena for Chinese baijiu, the Group will also strive to establish its footholds in Eastern European countries, including the Czech Republic, Hungary, and Slovakia. In terms of management, the Group will continue to optimise organisational structure, enhance per capita performance, and respond to ever-changing market conditions in a more flexible and nimble way.

The Group is confident that with the optimisation of its business portfolio and the reputation and influence it has built up over the years, it will continue to strengthen itself in the face of adversity and maintain its leading position in liquor operations.

## **FINANCIAL REVIEW**

### **Revenue and Gross Profit**

The Group generates its revenue primarily from sales of high-end liquors. For the Financial Year, the Group recorded a total revenue of approximately HK\$1,631.0 million, representing a decrease of approximately 4.3% compared to a total revenue of HK\$1,704.9 million for the year ended 31 March 2019. For the Financial Year, approximately 78.9% of revenue was derived from the PRC market (2019: 71.6%).

The Group’s revenue derived from the distribution of liquors represented approximately 99.8% of the total revenue for the Financial Year (2019: 91.2%) while the revenue derived from the distribution of sugar, cigarettes and daily necessities represented approximately 0.2% of the total revenue for the Financial Year (2019: 8.8%).

The Group's gross profit for the Financial Year was approximately HK\$310.8 million (2019: HK\$233.3 million). The increase in gross profit was mainly due to the increase in average selling price and sales volume during the Financial Year. Excluding the factor of provision for inventories, the Group's gross profit for the Financial Year was approximately HK\$329.0 million (2019: HK\$249.7 million), the gross profit ratio before provision for inventories was approximately 20.2% (2019: 14.6%).

### **Other Income, Gains and Losses**

Other income, gains and losses amounted to approximately HK\$21.6 million during the Financial Year (2019: HK\$72.5 million). Such decrease was mainly due to changes in fair value of a financial asset at fair 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\$192.3 million (2019: HK\$263.2 million) accounting for approximately 11.8% (2019: 15.4%) of the revenue of the Group for the Financial Year. Such decrease was mainly due to reasonable planning of resources allocated for marketing expenses and decrease in storage and transportation costs.

### **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\$96.0 million (2019: HK\$90.4 million) accounting for approximately 5.9% (2019: 5.3%) of the revenue of the Group for the Financial Year. Such increase was mainly due to the increase in salaries and wages for administrative personnel and office rental.

### **(Loss from Impairment)/Reversal of Impairment, Net**

Loss recorded in this account amounted to approximately HK\$104.2 million (2019: gain of HK\$5.3 million) for the Financial Year. The change was mainly due to the increase in impairment of right-of-use assets and impairment of trade receivables.

### **Finance Costs**

Finance costs amounted to approximately HK\$110.0 million (2019: HK\$108.2 million) representing approximately 6.7% (2019: 6.3%) of the Group's revenue for the Financial Year. The finance costs include interest on bank and loans, interest on bond payables and interest on lease liabilities. Finance costs during the Financial Year remained basically unchanged as compared to the previous year.

### **Income Tax Credit**

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 in the prior year. During the current year, no provision for Hong Kong profits tax was made as there is no assessable profit during the current 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 Financial Year amounted to approximately HK\$173.2 million, as compared to a loss attributable to ordinary equity holders of the Company of approximately HK\$145.8 million in 2019.

### **Dividends**

The Company did not pay any interim dividend during the Financial Year.

The Directors do not recommend the payment of a final dividend for the Financial Year.

### **Inventories**

As at 31 March 2020, the Group's inventories was approximately HK\$355.6 million (2019: HK\$1,028.1 million). The decrease was mainly due to the increase in sales volume and decrease in purchase volume during the Financial Year as compared to previous year.

### **Trade and Bills Receivables**

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

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

All the Group's distributors have been selected after careful and serious consideration. They generally possess extensive distribution networks, considerable financial strengths and competitive market positions. During the Financial Year, after careful assessment of the receivable balance's recoverability by taking into account of the impact of the COVID-19 pandemic, the consumer market is temporarily in an operating environment, financial conditions of the distributors and aging of the balances, total impairment allowance in aggregate of approximately HK\$229.2 million (2019: HK\$188.9 million) had been made by the Group as at 31 March 2020.

As at 31 March 2020, the trade and bills receivables net of provision were approximately HK\$93.4 million (2019: HK\$137.5 million). Approximately 13.6% of the net trade and bills receivables were aged within two months as at 31 March 2020 (2019: 32.4%). 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 platform, WeChat applet 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\$20.6 million.

### **Trade and Bill Payables**

As at 31 March 2020, the trade payables was approximately HK\$3.8 million (2019: HK\$519.0 million). The decrease in trade and bills payables was mainly due to the outstanding bills payable were settled during the Financial Year.

### **Liquidity and Financial Resources**

As at 31 March 2020, the Group had bank balances and cash of approximately HK\$698.5 million (2019: HK\$591.8 million), approximately 96.2% (2019: 78.8%) of which was denominated in RMB, approximately 1.4% (2019: 17.1%) of which was denominated in Hong Kong dollars and approximately 2.4% (2019: 4.1%) of which was denominated in other currencies. The increase in bank balances and cash was mainly due to the increase in cash generated from operating activities. As at 31 March 2020, the Group's net current assets were approximately HK\$223.7 million (2019: HK\$946.2 million).

### **Capital Structure of the Group**

Total interest-bearing bank and other borrowing as at 31 March 2020 was approximately HK\$84.3 million (2019: HK\$647.0 million) which were bank loans and other loan. All (2019: 100.0%) of which were denominated in RMB.

The Group's bank loan was denominated in RMB.

The Group's other loan was denominated in RMB. The amount is repayable in full within one year.

During the Financial Year, the Group issued bonds with an aggregate principal amount of HK\$53.7 million before related expenses of HK\$15.2 million, to certain independent entities and individuals. These bonds bear interest at rates ranging from 6.0% to 8.0% per annum and will mature in the period from November 2021 to November 2022. The interest will be 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 Period 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 bank balances and cash 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, other payables and accruals, lease liabilities, amount due to a director 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 2020, the gearing ratio was approximately 61.5% (2019: 76.1%).

## **Employment and Remuneration Policy**

The Group had a total work force of 222 employees in Hong Kong, the PRC and Poland as at 31 March 2020 (2019: 293 employees). The total salaries and related costs (including Directors' fee) amounted to approximately HK\$109.7 million for the Financial Year (2019: HK\$114.9 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 "**2009 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 2009 Share Option Scheme had expired on 19 February 2019. On 23 August 2019, the shareholders of the Company approved a new share option scheme (the "**2019 Share Option Scheme**"). Details of the 2019 Share Option Scheme are set out in the mandate circular of the Company dated 19 July 2019. As at 31 March 2020, the maximum number of share which may be issued upon exercise of all outstanding options granted under the 2009 Share Option Scheme and 2019 Share Option Scheme is 194,600,000 shares.

## **LITIGATION**

- (a) 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 RMB20.1 million (equivalent to HK\$22.0 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 RMB18.9 million (equivalent to HK\$20.7 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 has not bought back any inventories from the Plaintiff and the Group has further filed an application for enforcement opposition to the District Court to close the case due to the fact that the Plaintiff was found to have no more assets in its books and therefore the Group is unable to buy 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.

- (b) As at 11 March 2020, the Group’s previous business partners (consisting of a natural person and two companies, collectively referred to as the “**Plaintiffs**”) filed a claim against the Company and an indirect wholly-owned subsidiary of the Company in Hong Kong (the “**Hong Kong Subsidiary**”) in the Court of First Instance of the High Court of Hong Kong for compensation of profits arising from previous business relationships among the parties involved. The Plaintiffs are seeking compensation in the sum of RMB25.3 million from the Company and the Hong Kong subsidiary. As at the date of this announcement, the claim is still in the early stage of legal proceedings. After consulting with the Company’s external legal counsel and considering the existing situation, there is still insufficient information to prove that the claim will cause outflow of economic benefits.

## **EXTRACT OF INDEPENDENT AUDITORS’ 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\$170,060,000 for the year ended 31 March 2020 and, as of that date, the Group’s total bond payables and bank and other borrowings amounted to approximately HK\$812,353,000, of which HK\$602,405,000 are due for repayment within the next twelve months after 31 March 2020. 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 (“**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 2020, except for the following deviation:



Under Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Liang Guoxing (“**Mr. Liang**”) currently serves as the chairman and the chief executive officer of the Company. The Board believes that such arrangement is in the best interest of the Company and 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 Financial Year.

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 Financial Year 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 Financial Year 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 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**

Reference is made to the announcements of the Company dated 26 April 2018 and 9 August 2019. On 26 April 2018, the Group entered into an agreement (the “**Acquisition 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.

However, as the Company and Mr. Chen could not reach a consensus on the adjustment of the consideration Shares for Performance Period I, the parties agreed to mutually terminate the Acquisition Agreement. Accordingly, on 9 August 2019, Mr. Chen and the Group entered into a termination agreement to terminate the Acquisition Agreement. As a result, all the antecedent obligations and liabilities of the parties were absolutely discharged. The Company is of the view that the termination of the Acquisition Agreement will have no material adverse impact on the financial position and business operation of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s listed securities during the Financial Year.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (the “**Annual General Meeting**”) will be held in Hong Kong on Friday, 21 August 2020. Notice of the Annual General Meeting will be issued and despatched to the shareholders in due course.

## **EVENTS AFTER BALANCE SHEET DATE**

The Group has no significant subsequent events occurred after the balance sheet date.

## **FINAL DIVIDEND**

The Board does not recommend the payment of any final dividend for the Financial Year (2019: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 17 August 2020 to Friday, 21 August 2020, 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, 14 August 2020.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.silverbasegroup.com](http://www.silverbasegroup.com)). The annual report for the Financial Year 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, 22 June 2020

*As at the date of this announcement, the Board comprises Mr. Liang Guoxing (Chairman and Chief Executive Officer) and Ms. Chen Xiaoxu as executive Directors; Mr. Wu Jie Si as non-executive Director; 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.*