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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 2021

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$938.1 million
- Gross profit was approximately HK\$224.3 million
- Loss for the year attributable to ordinary equity holders of the Company was approximately HK\$20.3 million
- Loss per share (approximately)

Basic	HK0.90 cents
Diluted	HK0.90 cents
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2021

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 2021, together with the comparative figures for the previous year in 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	5	938,131	1,630,977
Cost of sales		<u>(713,827)</u>	<u>(1,320,192)</u>
Gross profit		224,304	310,785
Other income, gains and losses	5	206,751	21,572
Selling and distribution expenses		(176,025)	(192,262)
Administrative expenses		(83,193)	(96,003)
Finance costs	6	(153,438)	(109,991)
Loss from impairment, net		(77,224)	(104,161)
Gain arising from modification of bonds		<u>36,097</u>	<u>–</u>
LOSS BEFORE TAX	7	(22,728)	(170,060)
Income tax credit	8	<u>494</u>	<u>–</u>
LOSS FOR THE YEAR		<u>(22,234)</u>	<u>(170,060)</u>
ATTRIBUTABLE TO:			
ORDINARY EQUITY HOLDERS OF THE COMPANY		(20,322)	(173,172)
NON-CONTROLLING INTERESTS		<u>(1,912)</u>	<u>3,112</u>
		<u>(22,234)</u>	<u>(170,060)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (HK cents)	10	<u>(0.90)</u>	<u>(7.66)</u>
Diluted (HK cents)	10	<u>(0.90)</u>	<u>(7.66)</u>

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

For the year ended 31 March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year	(22,234)	(170,060)
Other comprehensive income/(expense):		
<i>Item that may be reclassified subsequently to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>109,953</u>	<u>(78,067)</u>
Other comprehensive income/(expense) for the year, net of nil tax	<u>109,953</u>	<u>(78,067)</u>
Total comprehensive income/(expense) for the year	<u><u>87,719</u></u>	<u><u>(248,127)</u></u>
Attributable to:		
Ordinary equity holders of the Company	<u>89,631</u>	(251,239)
Non-controlling interests	<u>(1,912)</u>	<u>3,112</u>
	<u><u>87,719</u></u>	<u><u>(248,127)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		11,930	14,571
Right-of-use assets		58,510	53,429
Intangible asset		8,300	8,300
Financial assets at fair value through profit or loss (“FVTPL”)		–	112,012
Deposits		161,077	153,125
Deferred tax assets		–	4,000
		<hr/> 239,817	<hr/> 345,437
CURRENT ASSETS			
Inventories		185,660	355,605
Other investments		37,194	–
Trade and bills receivables	11	16,889	93,387
Prepayments, deposits and other receivables		639,586	350,814
Financial assets at FVTPL		323,834	–
Pledged deposits		235,537	–
Restricted bank balances		20,223	–
Cash and cash equivalents		614,382	698,525
		<hr/> 2,073,305	<hr/> 1,498,331
CURRENT LIABILITIES			
Trade and bills payables	12	463,515	3,783
Other payables and accruals		225,140	182,890
Contract liabilities		77,832	312,704
Interest-bearing bank and other borrowings		253,423	84,277
Lease liabilities		35,799	25,392
Bond payables		323,863	518,128
Amount due to a director		131,653	91,840
Amount due to a related company		6,800	–
Tax payable		55,287	55,644
		<hr/> 1,573,312	<hr/> 1,274,658
NET CURRENT ASSETS		<hr/> 499,993	<hr/> 223,673
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 739,810	<hr/> 569,110

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**As at 31 March 2021*

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		57,890	56,252
Bond payables		290,731	209,948
Deferred tax liabilities		5,000	5,000
		<u>353,621</u>	<u>271,200</u>
NET ASSETS		<u>386,189</u>	<u>297,910</u>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	13	226,010	226,010
Reserves		160,968	70,777
		<u>386,978</u>	<u>296,787</u>
Non-controlling interests		<u>(789)</u>	<u>1,123</u>
TOTAL EQUITY		<u>386,189</u>	<u>297,910</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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, Chinese cigarettes and others.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

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**”). The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), rounded to the nearest thousand except when otherwise indicated. The functional currency of the Company is HK\$.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidated financial statements except for the adoption/early adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current reporting period (except for any early adoption) as set out in note 3 to the consolidated financial statements.

Going concern basis

The Group recorded a consolidated loss before tax of approximately HK\$22,728,000 for the year ended 31 March 2021.

As at 31 March 2021, the Group's total bond payables and interest-bearing bank and other borrowings amounted to approximately HK\$868,017,000, of which approximately HK\$577,286,000 are classified as current liabilities. These current liabilities include the Group's interest-bearing bank and other borrowings of approximately HK\$253,423,000 and bond payables of approximately HK\$323,863,000 which are due for repayment within the next twelve months after 31 March 2021.

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 maintain 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 is actively negotiating with the banks and other financial institutions in the People's Republic of China (the "PRC") to secure new financing arrangement to meet the Group's working capital and financial requirements in the near future. The Group is also actively seeking opportunities to carry out fund raising activities including but not limited to issuance of bonds as alternative sources of funding. Subsequent to 31 March 2021, the Group has renewed certain bond payables with an aggregate principal amount of approximately HK\$47,200,000 for the Group's working capital and secured a new interest-bearing bank borrowings of approximately HK\$16,500,000 with a bank in the PRC.

In the event that the Group cannot secure new financing arrangement for the repayment of bond payables and interest-bearing bank and other borrowings which will be due in the next twelve months after 31 March 2021, the Group plans to use its internal financial resources and seek for obtaining financial support from the substantial shareholder of the Company to repay the liabilities and meet its day to day operations. Subsequent to 31 March 2021, the Group filed an application to a financial institution for the redemption of the financial assets at FVTPL of approximately 50% of the unlisted equity investment fund.

(2) *Maintaining profitable and positive cash flow operations*

The Group is taking measures to tighten cost controls over various costs and expenses, to diversify the Group's sales channels and product mix and to optimise the assets mix with the aim to maintain its profitable and positive cash flow operations.

(3) *Undertaking provided by a director and a related company*

A director and a related company of the Company have agreed not to demand for any repayment due to them of approximately HK\$131,653,000 and approximately HK\$6,800,000, respectively, as at 31 March 2021 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 consolidated financial statements on a going concern basis.

3. APPLICATION OF NEW/REVISED HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 39, HKFRSs 7 and 9: Interest Rate Benchmark Reform – Phase 1

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 16: COVID-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modification. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 April 2021 with earlier application permitted. The Group has elected to early adopt the amendments in the current reporting period. In accordance with the transition provisions therein, the amendments have been applied retrospectively by the Group recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) and therefore the comparative information has not been restated.

The adoption of the above amendments does not have any significant impact on the consolidated financial statements.

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current reporting period, which the Group has not early adopted.

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Annual Improvements to HKFRSs	2018–2020 Cycle ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 1	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ The effective date to be determined.

The directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results and the financial position of the Group.

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 Chinese cigarettes and others (“**Cigarettes and others**”).

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, 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 bank interest income, interest income received from other investments, other gains, gain arising from modification of bonds and finance costs are excluded from such measurement.

Year ended 31 March 2021

	Liquors HK\$'000	Cigarettes and others HK\$'000	Total HK\$'000
Revenue from external customers and reportable segment revenue	<u>936,813</u>	<u>1,318</u>	<u>938,131</u>
Gross profit	224,047	257	224,304
Other income, gains and losses	203,681	–	203,681
Selling and distribution expenses	(175,902)	(123)	(176,025)
Administrative expenses	(82,981)	(212)	(83,193)
Loss from impairment, net	<u>(77,224)</u>	<u>–</u>	<u>(77,224)</u>
Segment results	<u>91,621</u>	<u>(78)</u>	<u>91,543</u>
<i>Reconciliation:</i>			
Bank interest income			516
Interest income received from other investments			961
Other gains			1,593
Finance costs			(153,438)
Gain arising from modification of bonds			<u>36,097</u>
Loss before tax			(22,728)
Income tax credit			<u>494</u>
Loss for the year			<u><u>(22,234)</u></u>
Additional segment information:			
Depreciation of property, plant and equipment	7,447	12	7,459
Depreciation of right-of-use assets	31,490	–	31,490
Loss allowance for expected credit losses (“ECL”) of trade and bills receivables, net	74,552	–	74,552
Loss from impairment of deposits paid to suppliers and prepayments	3,287	–	3,287
Reversal for ECL of other deposits and other receivables, net	(615)	–	(615)
Provision for inventories in respect of write-down to net realisable value	3,779	–	3,779
Gain on disposal of property, plant and equipment	(214)	–	(214)
Additions to non-current assets			
– Property, plant and equipment	3,418	–	3,418
– Right-of-use assets	<u>38,815</u>	<u>–</u>	<u>38,815</u>

Year ended 31 March 2020

	Liquors <i>HK\$'000</i>	Cigarettes and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	<u>1,627,366</u>	<u>3,611</u>	<u>1,630,977</u>
Gross profit	309,306	1,479	310,785
Other income, gains and losses	18,819	–	18,819
Selling and distribution expenses	(191,929)	(333)	(192,262)
Administrative expenses	(95,562)	(441)	(96,003)
Loss from impairment, net	<u>(104,161)</u>	<u>–</u>	<u>(104,161)</u>
Segment results	<u>(63,527)</u>	<u>705</u>	<u>(62,822)</u>
<i>Reconciliation:</i>			
Bank interest income			573
Interest income received from other investments			1,200
Other gains			980
Finance costs			<u>(109,991)</u>
Loss before tax			(170,060)
Income tax expenses			<u>–</u>
Loss for the year			<u><u>(170,060)</u></u>
Additional segment information:			
Depreciation of property, plant and equipment	6,810	6	6,816
Depreciation of right-of-use assets	25,142	–	25,142
Loss allowance for ECL trade and bills receivables, net	51,043	–	51,043
Loss from impairment of deposits paid to suppliers and prepayments	22,160		22,160
Loss allowance for ECL of other deposits and other receivables, net	355	–	355
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)
Additions to non-current assets			
– Property, plant and equipment	6,068	–	6,068
– Right-of-use assets	<u>23,610</u>	<u>–</u>	<u>23,610</u>

Geographical information

The following table sets out information about the geographical location of the Group's property, plant and equipment, right-of-use assets, intangible assets and deposits ("Specified Non-current Assets"). The geographical location of the Specified Non-current Assets is presented based on the physical location of the assets or the location of operation.

Location of the Specified Non-current Assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The PRC	210,509	196,672
Hong Kong and others	29,308	32,753
	<u>239,817</u>	<u>229,425</u>

Information about major customers

Revenue from external customers contributing 10% or more of the total revenue is as follow:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A from Liquors business segment	233,055	Note 1
Customer B and its affiliated company from Liquors business and Cigarettes and others business segment (Note 2)	151,559	307,697
Customer C from Liquors business segment	Note 1	490,273
Customer D from Liquors business segment	Note 1	250,359
	<u>233,055</u>	<u>250,359</u>

Note:

1. The corresponding revenue did not contribute 10% or more of the total revenue of the Group during the years ended 31 March 2021 or 2020.
2. Revenue from Customer B and its affiliated company including sales to two entities which are known to be under common control.

5. REVENUE AND OTHER INCOME, GAINS AND LOSSES

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All revenue from contracts with customers is recognised at a point in time.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue		
<i>Disaggregated by types of goods</i>		
Sales of liquor products	936,813	1,627,366
Sales of cigarettes and others	1,318	3,611
	<u>938,131</u>	<u>1,630,977</u>
Total revenue from contracts with customers within the scope of HKFRS 15	<u>938,131</u>	<u>1,630,977</u>
<i>Disaggregated by geographical location of customers</i>		
The PRC	710,231	1,287,256
Hong Kong and others	227,900	343,721
	<u>938,131</u>	<u>1,630,977</u>
Total revenue from contracts with customers within the scope of HKFRS 15	<u>938,131</u>	<u>1,630,977</u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income, gains and losses		
Bank interest income	516	573
Interest income received from other investments	961	1,200
Dividend income from financial asset at FVTPL	2,650	2,130
Changes in fair value of financial assets at FVTPL	194,115	17,192
Foreign exchange gain/(loss), net	6,659	(671)
(Loss)/gain on termination of lease contracts	(1,987)	150
Gain on disposal of property, plant and equipment	214	18
Government grants (Note)	2,030	22
Others	1,593	958
	<u>206,751</u>	<u>21,572</u>

Note: During the year ended 31 March 2021, the Company received government grants from the Anti-epidemic Fund set up by the Government of Hong Kong Special Administrative Region under a Employment Support Scheme as time-limited financial support to employers to retain employees who may otherwise be made redundant. The scheme provides two tranches of subsidies to eligible employers. There are no unfulfilled conditions or other contingencies attaching to these grants.

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on interest-bearing bank and other borrowings	7,359	11,115
Interest on bond payables	140,071	93,295
Interest on lease liabilities	6,008	5,581
	<u>153,438</u>	<u>109,991</u>

7. LOSS BEFORE TAX

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

	2021 HK\$'000	2020 HK\$'000
Employee benefit expenses (including directors' remuneration)		
Wages, salaries, allowances and other benefits****	88,753	97,906
Contributions to defined contribution retirement plans***	4,759	9,521
Equity-settled share option expenses	560	2,286
	<u>94,072</u>	<u>109,713</u>
Total employee benefit expenses*		
Loss from impairment, net		
Loss allowance for ECL of trade and bill receivables, net	74,552	51,043
Loss from impairment of deposits paid to suppliers and prepayments	3,287	22,160
(Reversal)/loss allowance for ECL of other deposits and other receivables, net	(615)	355
Loss from impairment of property, plant and equipment	–	6,558
Loss from impairment of right-of-use assets	–	24,045
	<u>77,224</u>	<u>104,161</u>
Total loss from impairment, net		
Other items		
Cost of inventories sold**	710,048	1,301,988
Provision for inventories in respect of write-down to net realisable value, net**	3,779	18,204
Auditors' remuneration		
– audit services	1,730	2,080
– non-audit services	650	850
Depreciation of property, plant and equipment****	7,459	6,816
Depreciation of right-of-use assets****	31,490	25,142
Expenses relating to short-term leases	16,034	18,901
Changes in fair value of financial assets at FVTPL	(194,115)	(17,192)
Foreign exchange (gain)/loss, net	(6,659)	671
Gain on disposal of property, plant and equipment	(214)	(18)
Loss from written-off property, plant and equipment****	–	5,932
	<u>710,048</u>	<u>1,301,988</u>

* The employee benefit expenses (including directors' remuneration) includes housing benefit with aggregate amount of approximately HK\$9,860,000 (2020: approximately HK\$11,375,000), of which approximately HK\$300,000 (2020: approximately HK\$10,537,000) represent rental expenses for short-term leases and approximately HK\$9,560,000 (2020: approximately HK\$838,000) represent depreciation of right-of-use assets disclosed above.

** Included in "Cost of sales"

*** Starting from February 2020, the relevant PRC government authorities have given certain temporary reliefs to entities incorporated in the PRC to exempt from payment of certain amount of levies on the social security insurance.

**** Included in "Selling and distribution expenses" and "Administrative expenses"

As at 31 March 2021, the Group had no forfeited contributions available to reduce its contribution to the pension schemes in future years (2020: Nil).

8. INCOME TAX

The Company is incorporated in Cayman Island and is exempted from income tax. The Company's subsidiaries established in the British Virgin Islands are exempted from income tax of the respective jurisdictions.

No provision for Hong Kong Profits Tax and the PRC Enterprise Income Tax was made as the Group had available tax losses brought forward from prior years to offset the assessable profits generated for the years ended 31 March 2021 and 2020.

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5% for the years ended 31 March 2021 and 2020. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% of the estimated assessable profits for the years ended 31 March 2021 and 2020.

Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiaries is 25% for the years ended 31 March 2021 and 2020.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	2021 HK\$'000	2020 HK\$'000
Current tax – The PRC Enterprise Income Tax		
Over-provision in prior years	(4,494)	–
Deferred tax		
Reversal of temporary differences	<u>4,000</u>	<u>–</u>
Total income tax credit for the year	<u>(494)</u>	<u>–</u>

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK\$20,322,000 (2020: approximately HK\$173,172,000), and the weighted average number of ordinary shares of 2,260,097,946 (2020: 2,260,097,946) in issue during the year ended 31 March 2021.

Diluted loss per share is the same as the basic loss per share as the Company's share options have no dilutive effect for the years ended 31 March 2021 and 2020 because the exercise prices of the Company's share options were higher than the average market price of the Company's shares for the years ended 31 March 2021 and 2020.

11. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	333,850	320,271
Less: Loss allowance for ECL	<u>(316,961)</u>	<u>(229,237)</u>
	<u>16,889</u>	<u>91,034</u>
Bills receivables	<u>–</u>	<u>2,353</u>
	<u><u>16,889</u></u>	<u><u>93,387</u></u>

The Group normally allows a credit period of 3 months to 1 year to its customers except for certain major customers where longer credit terms may be granted upon approval by the management of the Group. The credit terms of bills receivables are generally 6 months. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management of the Group. Trade and bills receivables are non-interest-bearing.

The ageing analysis of the trade and bills receivables at the end of the reporting period, based on the invoice date and net of loss allowance for ECL, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 2 months	4,255	12,667
2 months to 6 months	7,051	5,423
6 months to 1 year	5,486	9,703
Over 1 year	<u>97</u>	<u>65,594</u>
	<u><u>16,889</u></u>	<u><u>93,387</u></u>

The Group measures the loss allowance for ECL of trade and bills receivables at an amount equal to lifetime ECL. The ECL on trade and bills receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The grouping is regularly reviewed by the senior management of the Group to ensure relevant information about specific debtors is updated. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. The Group recognised lifetime ECL for trade and bills receivables based on the risk characteristics of different customers or the ageing of customers collectively. As at 31 March 2021, lifetime ECL of approximately HK\$315,353,000 (2020: approximately HK\$175,286,000) has been made in respect of trade receivables with gross amount of approximately HK\$315,353,000 (2020: approximately HK\$175,286,000) as they are individually determined to be credit-impaired, in which the trade receivables have been long outstanding. For the remaining balance (not credit-impaired) of approximately HK\$18,497,000 (2020: approximately HK\$147,338,000), the Group determines the ECL based on a provision matrix grouped by the past due status of these receivables, as the Group's historical credit loss experience does not indicate significantly different loss patterns for these customers.

12. TRADE AND BILLS PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	3,250	3,783
Bills payables	<u>460,265</u>	<u>–</u>
	<u>463,515</u>	<u>3,783</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	9	147
1 month to 3 months	22	575
Over 3 months	<u>3,219</u>	<u>3,061</u>
	<u>3,250</u>	<u>3,783</u>

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

The bills payables are non-interest-bearing and repayable within one year since its inception.

As at 31 March 2021, the Group's bills payables amounted to approximately RMB389,000,000 (equivalent to approximately HK\$460,265,000) (2020: Nil) which were secured by the Group's pledged deposits of approximately RMB39,268,000 (equivalent to approximately HK\$46,462,000) (2020: Nil).

13. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:		
100,000,000,000 (2020: 100,000,000,000) ordinary shares of HK\$0.1 each	<u>10,000,000</u>	<u>10,000,000</u>
Issue and fully paid:		
2,260,097,946 (2020: 2,260,097,946) ordinary shares of HK\$0.1 each	<u>226,010</u>	<u>226,010</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year ended 31 March 2021 (the “**Financial Year**”), the Group recorded a total revenue of approximately HK\$938.1 million (2020: approximately HK\$1,631.0 million), representing a decrease of approximately 42.5% as compared with last year. Excluding the provision for inventories, during the Financial Year, the Group’s gross profit was approximately HK\$228.1 million (2020: approximately HK\$329.0 million). The gross profit margin before provision for inventories was approximately 24.3% (2020: approximately 20.2%), while the loss attributable to the ordinary equity holders of the Company was approximately HK\$20.3 million (2020: approximately HK\$173.2 million). Basic loss per share was approximately HK0.90 cents (2020: approximately HK7.66 cents).

During the Financial Year, the revenue generated from the PRC market and the international market accounted for approximately 75.7% (2020: approximately 78.9%) and approximately 24.3% (2020: approximately 21.1%) of the Group’s total revenue, respectively.

Baijiu Business

Since January 2020, the entire world fell into doldrums due to the spread of the COVID-19 pandemic, and supply chain and industry chain were severely disrupted by the sluggish market demand. During the Financial Year, the Group’s revenue and profit suffered declines, which were mainly due to the restrictions under the stringent precautionary measures. The major consumption scenarios for baijiu products, namely business meetings, banquets and family gatherings, together with the major sales venues of baijiu products, namely restaurants, supermarkets and tobacco and liquor stores, were subject to various controls, our baijiu sales business was thus seriously affected. However, with the pandemic has been effectively brought under control in the PRC in the second quarter, the major consumption venues for baijiu products have gradually re-opened, leading to rebound in market demand. The intrinsic value of liquor enterprises remains pristine in times of the pandemic, while the leading liquor enterprises have maintained their growth momentum beginning from the first quarter, and the profit declines experienced by the second high-end, mid-end and general liquor enterprises have substantially narrowed. In the third quarter, the satisfying sales performance of baijiu during the “Mid-Autumn & National Day” double festivals foretold a recovery in the upcoming peak season.

In respect of sales channels, traditional offline retail stores have accelerated the development of online sales channels to adapt to the pandemic-related shift from offline to online consumption. New retail platforms and home-delivery services have emerged to complement each other through online and offline multichannel marketing approaches, thus realising the transformation and upgrade of consumption. On the other hand, online channels have become a key information source for baijiu consumers, with rich content, high interactivity and speed and convenience acting as major consumption stimulus. In the meantime, the number of consumers sharing their experiences and product reviews through social media platforms has been ever increasing, which has turned e-commerce into a “price indicator” and “quality indicator” for the channels and terminals of the liquor market.

According to the China Alcoholic Drinks Association, in the five years from 2015 to 2019, the number of liquor enterprises above designated size decreased by 427, while the production and sales volume decreased by 16,863,000 kilolitres. In the meantime, the five-year cumulative increase in revenue per unit of product amounted to 31.3%^, while the cumulative increase in profit amounted to 72.6%^, and the increase in profit per unit of product reached as high as 132.0%^ . The above figures indicate a clear trend of increasing market concentration. In particular, the profitability of the leading enterprises continues to improve, and as a result of consumption upgrade, consumers have become more discerning about the quality of liquors and began to pursue healthy and rational consumption.

E-commerce Business

The PRC’s mobile e-commerce market in 2020 was expected to exceed RMB8 trillion in transaction volume, representing a growth of 19.7%+ compared to 2019. Mobile and desktop shoppers accounted for 69.3%* and 25.6%* of the total respectively. Mobile terminal has been a major sales channel for the development of e-commerce platforms, and benefiting from the use of hugely popular marketing tools in recent years, such as live streaming and video clips, the scale of mobile e-commerce transactions has continued to grow.

^ http://www.xinhuanet.com/finance/2020-12/30/c_1126925988.htm

+ <https://www.iimedia.cn/c1061/75244.html>

* <https://finance.sina.com.cn/tech/2020-11-24/doc-iiznctke3057851.shtml>

Banqueting, gathering and gifting, which could be characterised by a high degree of social interaction, are the major consumption scenarios for Chinese baijiu. In an era revolutionised by the Internet and social media, online communities on WeChat, Weibo, brands' own official websites or APPs facilitate consumer empowerment by providing product information and platform for sharing reviews and conducting transactions. Silver Base has capitalised on this market opportunity and established a more integrated online and offline sales network through combining “WEjiu”, a platform featuring mobile terminals and robust social functions, with “Wine Kingdom”, our existing traditional B2B platform. In April last year, the Group restructured the “WEjiu” platform from a technical perspective, by which we enhanced the function of product distribution, and fully optimised the distribution system by focusing on B2B and complemented by B2C. Leveraging video clips and live streaming for promotion, together with the social media sharing functions, more social interactive attributes are incorporated to enhance customers' stickiness to both the products and the platform.

Wine and Other Liquor Business

The PRC market is currently one of the fastest-growing wine and spirits markets in the world. Although most of the restaurants and offline retail outlets in the PRC have suspended their operations due to the COVID-19 pandemic, neither banquet nor gathering is the major consumption scenario for wine and spirits, and thus there is no significant decline in consumer drinking frequency. The Group expects the wine and spirits market in the PRC to maintain a steady development, and the management will closely monitor the development and changes in the market and prepare and make appropriate plans and adjustments accordingly.

Outlook and Future Development

The Group considers that although the pandemic has affected the results of certain liquor enterprises and distributors in 2020, consumers have now become more accustomed to online shopping and the pandemic has in a sense become a catalyst for the PRC's liquor industry to embrace a new retailing landscape featuring e-commerce, customisation and quality.

As a national baijiu distributor in the PRC, it is of vital importance for us to fully capitalise on the industry trends, closely monitor changes in consumer demand, and make changes and adjustments whenever appropriate so as to navigate the challenges in this highly competitive liquor industry. In order to enhance its overall revenue, the Group will continue its efforts to optimise online and offline sales channels in the PRC and conduct in-depth integration of appropriate marketing tools and management concepts. As for overseas markets, Eastern European countries have been substantially affected, the management will pay close attention to the changes in the markets and make adjustments accordingly.

In respect of operational management, the Group will continue to optimise its sales channels in line with market demand, strengthen internal controls and adopt more prudent financial management and cost control strategies in order to achieve long-term sustainability of the Group.

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\$938.1 million, representing a decrease of approximately 42.5% compared to a total revenue of HK\$1,631.0 million for the year ended 31 March 2020. For the Financial Year, approximately 75.7% of revenue was derived from the PRC market (2020: approximately 78.9%).

The Group's revenue derived from the distribution of liquors represented approximately 99.9% of the total revenue for the Financial Year (2020: approximately 99.8%) while the revenue derived from the distribution of cigarettes and others represented approximately 0.1% of the total revenue for the Financial Year (2020: approximately 0.2%).

The Group's gross profit for the Financial Year was approximately HK\$224.3 million (2020: approximately HK\$310.8 million). The decrease in gross profit was mainly due to the decrease in sales volume during the Financial Year due to the influence of COVID-19 pandemic. Excluding the factor of provision for inventories, the Group's gross profit for the Financial Year was approximately HK\$228.1 million (2020: approximately HK\$329.0 million), the gross profit ratio before provision for inventories was approximately 24.3% (2020: approximately 20.2%).

Other Income, Gains and Losses

Other income, gains and losses amounted to approximately HK\$206.8 million for the Financial Year (2020: approximately HK\$21.6 million). Such increase was mainly due to the increase in changes in fair value of financial assets at FVTPL of approximately HK\$194.1 million (2020: approximately HK\$17.2 million). The financial assets at FVTPL represents the subscription of 5.56% of an unlisted equity investment fund (“**Investment Fund**”) with original cost of approximately HK\$26.3 million where the Investment Fund has participated in a share placement exercise initiated by Wuliangye Yibin Co., Ltd. The Investment Fund has a lock-up period of 3 years from the commencement date of the Investment Fund on 20 April 2018.

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, leases related expenses and miscellaneous expenses related to sales.

Selling and distribution expenses amounted to approximately HK\$176.0 million (2020: approximately HK\$192.3 million) accounting for approximately 18.8% (2020: approximately 11.8%) of the revenue of the Group for the Financial Year. Such decrease was mainly due to the decrease in salaries and wages for sales personnel and entertainment expenses for business purpose.

Administrative Expenses

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

Administrative expenses amounted to approximately HK\$83.2 million (2020: approximately HK\$96.0 million) accounting for approximately 8.9% (2020: approximately 5.9%) of the revenue of the Group for the Financial Year. Such decrease was mainly due to the decrease in salaries and wages and travelling expenses for administrative personnel.

Loss From Impairment, Net

Loss recorded in this account amounted to approximately HK\$77.2 million (2020: approximately HK\$104.2 million) for the Financial Year. The change was mainly due to no further loss from impairment of property, plant and equipment and right-of-use assets was provided during the Financial Year.

Finance Costs

Finance costs amounted to approximately HK\$153.4 million (2020: approximately HK\$110.0 million) representing approximately 16.4% (2020: approximately 6.7%) of the Group's revenue for the Financial Year. The finance costs include interest on interest-bearing bank and other borrowings, interest on bond payables and interest on lease liabilities. Such increase was mainly due to the increase in the interest on bond payables.

Income Tax

No provision for Hong Kong Profits Tax and the PRC Enterprise Income Tax (“**PRC EIT**”) was made as the Group had available tax losses brought forward from prior years to offset the assessable profits generated for the years ended 31 March 2021 and 2020.

Under the Law of the PRC on Enterprise Income Tax (“**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiaries is 25% for the years ended 31 March 2021 and 2020.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

Income tax credit amounted to approximately HK\$0.5 million (2020: Nil) represented over-provision of PRC EIT in prior years of approximately HK\$4.5 million and reversal of temporary differences of approximately HK\$4.0 million.

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\$20.3 million, as compared to a loss attributable to ordinary equity holders of the Company of approximately HK\$173.2 million in 2020.

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 2021, the Group's inventories was approximately HK\$185.7 million (2020: approximately HK\$355.6 million). The decrease was mainly due to the decrease in purchase volume during the Financial Year as compared to last year.

Other Investments

As at 31 March 2021, the unlisted investments in principal unguaranteed funds (the “**Principal Unguaranteed Funds**”) were placed with a bank in the PRC. The Principal Unguaranteed Funds can be redeemed from time to time. The Principal Unguaranteed Funds are unlisted investment funds which mainly invested in bank deposit, bank debentures, standardised credit assets and other investments in the PRC with high credit rating. The Principal Unguaranteed Funds bear interest at floating rate with expected return ranging from 2.59% to 3.59% per annum during the year ended 31 March 2021. The fair value of the Principal Unguaranteed Funds is reported by a bank reference to the fair value of the underlying instruments at the end of each reporting period. The Principal Unguaranteed Fund were denominated in RMB.

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 and bills receivables was mainly due to the increase in the total loss allowance for ECL of trade and bills receivables during the Financial Year.

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 under the impact of COVID-19 pandemic, financial conditions of the distributors and ageing of the balances, total loss allowance for ECL in aggregate of approximately HK\$317.0 million (2020: approximately HK\$229.2 million) had been made by the Group as at 31 March 2021.

As at 31 March 2021, the trade and bills receivables net of loss allowance for ECL were approximately HK\$16.9 million (2020: approximately HK\$93.4 million). Approximately 25.2% of the net trade and bills receivables were aged within two months as at 31 March 2021 (2020: approximately 13.6%). 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\$11.3 million.

Financial Assets at FVTPL

The Investment Fund represents the subscription of 5.56% of an investment fund with original cost of approximately HK\$26.3 million where the Investment Fund has participated in a share placement exercise initiated by Wuliangye Yibin Co., Ltd. As at 31 March 2021, the fair value of the investment represented approximately 14.0% (2020: approximately 6.1%) of the total assets of the Group. An unrealised fair value gain of approximately HK\$194.1 million (2020: approximately HK\$17.2 million) was recognised for the year ended 31 March 2021. The Investment Fund has a lock-up period of 3 years from the commencement date of the Investment Fund on 20 April 2018.

Trade and Bills Payables

As at 31 March 2021, the trade and bills payables was approximately HK\$463.5 million (2020: approximately HK\$3.8 million). Such significant increase was due to the presence of new outstanding bills for purchase purpose during the Financial Year.

Liquidity and Financial Resources

As at 31 March 2021, the Group had cash and cash equivalents of approximately HK\$614.4 million (2020: approximately HK\$698.5 million), approximately 96.7% (2020: approximately 96.2%) of which was denominated in RMB, approximately 1.7% (2020: approximately 1.4%) of which was denominated in HK\$ and approximately 1.6% (2020: approximately 2.4%) of which was denominated in other currencies. As at 31 March 2021, the Group's net current assets were approximately HK\$500.0 million (2020: approximately HK\$223.7 million).

Capital Structure of the Group

The interest-bearing bank and other borrowings under the current liabilities as at 31 March 2021 was approximately HK\$253.4 million (2020: approximately HK\$84.3 million) which were bank loans and other loan.

The Group's bank loans under the current liabilities were denominated in HK\$ and RMB.

The Group's other loan under the current liabilities was denominated in RMB.

As at 31 March 2021, the Group's interest-bearing bank and other borrowings are secured by the Group's pledged deposits of approximately RMB159.8 million (equivalent to approximately HK\$189.1 million) (2020: Nil) 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.

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 HK\$ 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 HK\$ 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 trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings, lease liabilities, bond payables, amount due to a director and amount due to a related company less bank balances and cash. Total capital represents equity attributable to the ordinary equity holders of the Company. As at 31 March 2021, the gearing ratio was approximately 70.4% (2020: approximately 61.5%).

Employment and Remuneration Policy

The Group had a total work force of 172 employees in Hong Kong, the PRC and Poland as at 31 March 2021 (2020: 222 employees). The total salaries and related costs (including Directors' fee) amounted to approximately HK\$94.1 million for the Financial Year (2020: approximately HK\$109.7 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 23 August 2019, the shareholders of the Company approved a share option scheme (the “**Share Option Scheme**”). Details of the Share Option Scheme are set out in the mandate circular of the Company dated 19 July 2019. As at 31 March 2021, the maximum number of share which may be issued upon exercise of all outstanding options granted under the Share Option Scheme is 182,450,000 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 approximately HK\$23.8 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\$22.4 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 the consolidated financial statements, the Group has not bought back any inventories from the Plaintiff. The Group has filed an application for enforcement opposition dated 9 June 2020 to the PRC District People’s 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 was unable to buy back any inventories from the Plaintiff.

The directors of the Company are of the opinion that adequate provision in the sum of approximately RMB10.0 million (equivalent to approximately HK\$11.8 million) has been made in the consolidated financial statements to cover any potential liabilities arising from the Claim.

- (b) In March 2020, the Group’s certain previous business partners (the “**Plaintiffs**”) filed a claim against the Group for compensation of profits arising from certain previous business relationships in the sum of approximately RMB25.3 million. As of the date of approval of the consolidated financial statements, the claim is still in the early stage of legal proceedings. Based on the legal opinions obtained by the directors of the Company and in view of all the current facts and circumstances, the directors of the Company are of the opinion that the outflow of economic benefits arising from the claim is not probable.

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 the year ended 31 March 2021, 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 the Shareholders as a whole since Mr. Liang has substantial experience in sales of Chinese liquor in the PRC market and can strengthen the Group’ 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 MAZARS CPA LIMITED (“MAZARS”) 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, MAZARS, to the amounts set out in the Group’s consolidated financial statements for the Financial Year. The work performed by MAZARS 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 MAZARS 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

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, 27 August 2021. Notice of the Annual General Meeting will be issued and despatched to the shareholders in due course.

EVENTS AFTER BALANCE SHEET DATE

Subsequent to 31 March 2021 and up to the date of approving the consolidated financial statements, the Group has renewed certain bond payables with an aggregate principal amount of approximately HK\$47.2 million and secured a new interest-bearing bank borrowings of approximately HK\$16.5 million with maturity date on 23 April 2022.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the Financial Year (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 August 2021 to Friday, 27 August 2021, 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, 20 August 2021.

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 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, 28 June 2021

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.