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Silver Base Group Holdings Limited

銀基集團控股有限公司

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 886)

INSIDE INFORMATION

(1) PROPOSED FINANCIAL RESTRUCTURING; (2) WINDING UP PETITION; AND (3) APPLICATION FOR APPOINTMENT OF PROVISIONAL LIQUIDATORS FOR RESTRUCTURING PURPOSES

This announcement is made by Silver Base Group Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

PROPOSED FINANCIAL RESTRUCTURING

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide an update to the shareholders and potential investors of the Company on the latest financial position of the Group.

As a result of the significant decline of the Group’s revenue for the year ended 31 March 2021, the Group’s liquidity has deteriorated and the Company expects its liquidity to continue to deteriorate in the event the global economic activity does not revitalize quickly and sharply. As at 31 March 2021, the Group had registered current assets of approximately HK\$2,073 million, consisting, *inter alia*, (i) cash on hand of approximately HK\$614 million; (ii) prepayments, deposits and other receivable (“**Prepayments**”) of approximately HK\$640 million; and (iii) financial assets at fair value through profit and loss (“**Financial Assets**”) of approximately HK\$324 million. Nevertheless, the Group encountered substantial difficulties in realizing and/or reallocating its assets to repay the offshore debts, for the following reasons:

- (i) The cash held by the Group is mostly placed in the People’s Republic of China (the “**PRC**”) in Renminbi (“**RMB**”). The repatriation of any RMB from the PRC to Hong Kong will require an approval from the State Administration of Foreign Exchange. The application process is subject to stringent and the prevailing state policy and therefore the timing required for repatriation of the fund is uncertain.
- (ii) Due to the 2020 pandemic, consumption for baijiu products have been affected under social distancing restrictions, which induced a knock-on effect on the output and sales channels across the industry. Accordingly, the Group’s baijiu sales business has been seriously affected and the turnover days have been longer than anticipated.
- (iii) The Prepayments mainly represent the deposits paid to the suppliers of the Group which are required to maintain the business relationships between the Group and its suppliers. Request for deposit return may interrupt such business relationships and may jeopardize the Group’s baijiu sales business.
- (iv) The Financial Assets represent the Company’s investment in a collectively investment scheme, the assets held under which are the shares of Wuliangye Yibin Co., Ltd., a listed entity incorporated in the PRC engaged in the manufacturing and trading of liquors in the PRC. The redemption of investment is subject to the approval of the investment scheme manager, which would take into account various factors, including but not limited to the market conditions. The realization of the Company’s investment therefore has been slow, which is one of the factors for the deterioration of the Company’s liquidity.

Due to the challenging liquidity position described above, the Company defaulted in payments of principal and interests of certain interest-bearing bonds issued by the Company (the “**Bonds**”). After a thorough review of the available strategic alternatives, the Board believes that it is essential and critical for the Company to carry out a financial restructuring with a view to establishing a sustainable debt structure.

PETITION FOR THE WINDING UP OF THE COMPANY AND APPLICATION FOR THE APPOINTMENT OF JOINT PROVISIONAL LIQUIDATORS

To facilitate the Company’s financial restructuring, on 11 November 2021 (Cayman Islands’ time), a winding up petition together with an application (the “**JPL Application**”) for the appointment of Ms. Chan Pui Sze and Ms. Mak Hau Yin, both of Briscoe Wong Advisory Limited and Mr. Martin Nicholas John Trott of R&H Restructuring (Cayman) Ltd as the joint and several provisional liquidators of the Company (together, the “**JPLs**”) on a “light touch” basis for restructuring purposes was presented and filed with the Grand Court of the Cayman Islands (the “**Cayman Court**”) by the Company’s Cayman Islands Counsel, Conyers Dill & Pearman pursuant to the instructions of the Company.

The purpose of the JPL Application is to enable the Company to implement the Company's financial restructuring under the supervision of the Cayman Court. In the JPL Application, the Company seeks an order to the effect that (should the JPLs be appointed), and until further order from the Cayman Court, the Board shall retain powers of management conferred upon it by the Company, subject to supervision and monitoring by the JPLs. This would allow the Company's current management to work with the JPLs closely to oversee the implementation of an orderly financial restructuring that seeks to better preserve value and business operations of the Company. Accordingly, the Board believes that appointment of the JPLs is in the overall interests of the Company, its shareholders and creditors.

Subject to the order to be made by the Cayman Court, the JPLs will be empowered to carry out, among other things, the following functions:

- (i) to take all necessary steps to develop and implement a restructuring of the Company's financial indebtedness with a view to making a compromise or arrangement with the Company's creditors or any class thereof (the "**Restructuring Proposal**") including (without limitation) by way of a scheme of arrangement between the Company and its creditors or any class thereof and/or by way of analogous process available in any other foreign jurisdiction;
- (ii) to monitor, oversee and supervise the Board in its management of the Company so as to develop and propose the Restructuring Proposal;
- (iii) to review the financial position of the Company and, in particular, assess the feasibility of the Restructuring Proposal;
- (iv) to review the action and activities of the Board so as to ensure the Board is acting with a view to protecting the position of, and maximizing returns to, the creditors and other stakeholders of the company; and
- (v) to monitor, consult with and otherwise liaise with the creditors and shareholders of the Company to determine whether the Restructuring Proposal will be successfully approved and implemented.

The JPL Application is listed for hearing by the Cayman Court on 22 November 2021 (Cayman Islands time). Further announcement(s) will be made to update the shareholders and potential investors of the Company on the development of the court proceedings.

Shareholders and potential investors are advised to exercise caution when investing in or dealing in the securities of the Company.

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

Hong Kong, 15 November 2021

As at the date of this announcement, the Board comprises Mr. Liang Guoxing (Chairman and Chief Executive Officer) and Mr. Liang Kunwei as executive Directors; Mr. Wu Jie Si as non-executive Director; and Mr. Hung Sui Kwan, Mr. Ma Lishan and Mr. Tam Kim Fung as independent non-executive Directors.