Silver Base

Silver Base Group Holdings Limited
銀基集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 886)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of Silver Base Group Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2021, together with the comparative figures for the previous corresponding period as follows:

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$100.5 million
- Gross profit was approximately HK$4.6 million
- Loss for the period attributable to ordinary equity holders of the Company was approximately HK$187.5 million
- Loss per share (approximately)
  Basic HK8.30 cents
  Diluted HK8.30 cents
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

		For the six months ended 30 September	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	4	**100,529**	674,896
Cost of sales		**(95,955)**	(499,982)
Gross profit		**4,574**	174,914
Other (losses)/income, net	4	**(46,795)**	138,771
Selling and distribution expenses		**(45,901)**	(106,861)
Administrative expenses		**(34,179)**	(41,942)
Finance costs	5	**(62,191)**	(80,466)
Loss from impairment, net	6	**(3,155)**	(8,928)
Gain arising from modification of bonds		**–**	15,864
(LOSS)/PROFIT BEFORE TAX	6	**(187,647)**	91,352
Income tax expenses	7	**–**	–
(LOSS)/PROFIT FOR THE PERIOD		**(187,647)**	91,352
ATTRIBUTABLE TO:			
ORDINARY EQUITY HOLDERS OF THE COMPANY		**(187,535)**	90,515
NON-CONTROLLING INTERESTS		**(112)**	837
		(187,647)	91,352
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (HK cents)	8	**(8.30)**	4.00
Diluted (HK cents)	8	**(8.30)**	4.00

Details of dividends are disclosed in note 11.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	For the six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE PERIOD	**(187,647)**	91,352
OTHER COMPREHENSIVE INCOME:		
Item that may be reclassified subsequently to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**22,947**	50,573
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF NIL TAX	**22,947**	50,573
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	**(164,700)**	141,925
ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE COMPANY	**(164,588)**	141,088
NON-CONTROLLING INTERESTS	**(112)**	837
	(164,700)	141,925

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	30 September 2021 (Unaudited) HK$'000	31 March 2021 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9,293**	11,930
Right-of-use assets		**50,237**	58,510
Intangible asset		**8,300**	8,300
Deposits		**159,505**	161,077
		227,335	239,817
CURRENT ASSETS			
Inventories		**147,913**	185,660
Other investments		**20**	37,194
Trade receivables	9	**13,064**	16,889
Prepayments, deposits and other receivables		**640,447**	639,586
Financial assets at fair value through profit or loss ("**FVTPL**")		**275,559**	323,834
Pledged deposits		**197,809**	235,537
Restricted bank balances		**–**	20,223
Cash and cash equivalents		**666,001**	614,382
		1,940,813	2,073,305
CURRENT LIABILITIES			
Trade and bills payables	10	**417,375**	463,515
Other payables and accruals		**226,191**	225,140
Contract liabilities		**101,721**	77,832
Interest-bearing bank and other borrowings		**270,873**	253,423
Lease liabilities		**26,510**	35,799
Bond payables		**452,606**	323,863
Amount due to a director		**152,478**	131,653
Amount due to a related company		**15,612**	6,800
Tax payable		**56,049**	55,287
Total current liabilities		**1,719,415**	1,573,312
NET CURRENT ASSETS		**221,398**	499,993
TOTAL ASSETS LESS CURRENT LIABILITIES		**448,733**	739,810

	30 September 2021 (Unaudited) *HK$'000*	31 March 2021 (Audited) *HK$'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**53,535**	57,890
Bond payables	**168,477**	290,731
Deferred tax liabilities	**5,000**	5,000
Total non-current liabilities	**227,012**	353,621
NET ASSETS	**221,721**	386,189
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	**226,010**	226,010
Reserves	**(3,388)**	160,968
	222,622	386,978
Non-controlling interests	**(901)**	(789)
TOTAL EQUITY	**221,721**	386,189

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2021

1. CORPORATE AND GROUP INFORMATION

Silver Base Group Holdings Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 12 September 2007. The 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.

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 condensed consolidated interim financial information is presented in Hong Kong dollars ("**HK$**"), rounded to the nearest thousand except when otherwise indicated. The functional currency of the Company is HK$.

2.1 BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group for the six months ended 30 September 2021 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Preparation of the condensed consolidated interim financial information in conformity with HKAS 34 requires the directors of the Company to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and they may not readily apparent from other sources. Actual results may differ from these estimates.

The condensed consolidated interim financial information includes an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2021, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by HKICPA. It should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2021 (the "**2021 Audited Financial Statements**").

In preparing the condensed consolidated interim financial information, significant judgements made by the directors of the Company in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied in the 2021 Audited Financial Statements.

The condensed consolidated financial information has not been reviewed nor audited by the Company's auditor, but the Company's audit committee has reviewed the unaudited condensed consolidated financial information and is of the opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made except for they cannot determine the appropriateness of the adoption of going concerns basis as set out below.

Going concern basis

The Group recorded a consolidated loss before tax of approximately HK$187,647,000 for the six months ended 30 September 2021. As at 30 September 2021, the Group's total bond payables and interest-bearing bank and other borrowings amounted to approximately HK$891,956,000, of which approximately HK$723,479,000 are classified as current liabilities. The Group's total current liabilities of approximately HK$1,719,415,000 include the Group's bond payables of approximately HK$452,606,000, interest-bearing bank and other borrowings of approximately HK$270,873,000 and other current liabilities of approximately HK$995,936,000 which are due for repayment/ fulfilment within the next twelve months after 30 September 2021. In addition, certain creditors of the Group had applied to the courts for immediate repayment of the outstanding indebtedness. Subsequent to 30 September 2021, the Group had made prepayments of approximately RMB534,191,000 (equivalent to approximately HK$652,034,000) to three purchase agents for the purchase of liquors products.

In view of these circumstances, the future liquidity and performance of the Group and its available sources of finance have been considered 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.

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 30 September 2021, the Group plans to use its internal financial resources to repay the liabilities and meet its day-to-day operations. During the six months ended 30 September 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.

(2) *Maintaining of 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$152,478,000 and approximately HK$15,612,000, respectively, as at 30 September 2021 within the next twelve months and until the Group is in a financial position to do so. If necessary, the director and the related company of the Company would provide further funds to the Group in meeting the repayment obligations.

(4) *Implementation of a financial restructuring*

As at 30 September 2021, the Group reported current assets of approximately HK$1,940,813,000, consisting, *inter alia*, (i) cash on hand of approximately HK$666,001,000; (ii) prepayments, deposits and other receivables of approximately HK$640,447,000; and (iii) financial assets at FVTPL of approximately HK$275,559,000. Nevertheless, the Group encountered substantial difficulties (e.g. government foreign currency exchange controls) in timely realising and/or reallocating such assets, which are mainly located in the PRC and denominated in Renminbi ("**RMB**"), to repay the offshore debts which are mainly denominated in HK$, which the Group were defaulted in payments of principal and interests, if any. After a thorough review of the available strategic alternatives, the board of directors of the Company (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.

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 proposed appointment of 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**").

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.

At the hearing held on 22 November 2021 (Cayman Islands time) for the JPL Application, the Cayman Court made an order that, amongst others, the hearing of the JPL Application be adjourned until 1 December 2021 (Cayman Islands time).

Details about the financial restructuring have been set out in the Company's announcements dated 15, 23 and 26 November 2021.

After taking into account the above measures, it is considered 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 condensed consolidated interim financial information on a going concern basis.

2.2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 September 2021 are consistent with those followed in the preparation of the 2021 Audited Financial Statements, except as described below.

In the current period, the Group has applied, for the first time, the following new/revised HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2021:

Amendments to HKAS 39, HKFRS 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the new/revised HKFRSs for current period does not have any significant impact on the Group's results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

At the date of authorisation of the condensed consolidated interim financial information, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted. 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 financial position of the Group.

3. OPERATING SEGMENT INFORMATION

The Group has only one reportable operating segment. The chief operating decision maker, being the executive directors and the chief executive officer of the Company, reviews the Group as a whole and no other discretionary information is prepared for resource allocation and performance assessment. Therefore, no operating segment information is presented.

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

	30 September 2021 (Unaudited) *HK$'000*	31 March 2021 (Audited) *HK$'000*
The PRC	**209,043**	210,509
Hong Kong and others	**18,292**	29,308
	227,335	239,817

Information about major customers

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

	Six months ended 30 September	
	2021 (Unaudited) *HK$'000*	2020 (Unaudited) *HK$'000*
Customer A	**24,314**	*
Customer B	**16,521**	*
Customer C	*	228,430
Customer D	*	86,759

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group during the six months ended 30 September 2021 or 2020.

4. REVENUE AND OTHER (LOSSES)/ INCOME, NET

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.

	For the six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15:		
Sales of liquor products	**100,529**	674,896
Disaggregated by geographical location of customers		
The PRC	**99,552**	513,455
Hong Kong and others	**977**	161,441
Total revenue from contracts with customers within the scope of HKFRS 15	**100,529**	674,896

The significant increase in contract liabilities as at 30 September 2021 was mainly due to the new sales contract signed with a new customer during the six months ended 30 September 2021.

	For the six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other (losses)/income, net		
Bank interest income	**69**	117
Interest income received from other investments	**71**	795
Dividend income from financial assets at FVTPL	**–**	2,598
Changes in fair value of financial assets at FVTPL	**(52,575)**	133,965
Foreign exchange gain/(loss), net	**629**	(1,187)
Gain on termination of a lease contract	**–**	65
Gain on disposal of property, plant and equipment	**30**	–
Government grants *(Note)*	**–**	1,497
Provision for litigations	**(1,030)**	–
Recovery from insurance claim on previous year inventories loss	**4,866**	–
Others	**1,145**	921
	(46,795)	138,771

Note:

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account/recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

The government grants granted to the Group had no condition attached and were recognised in the profit or loss during the six months ended 30 September 2020.

5. FINANCE COSTS

	For the six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on interest-bearing bank and other borrowings	**6,459**	2,755
Interest on bond payables	**52,883**	74,742
Interest on lease liabilities	**2,849**	2,969
	62,191	80,466

6. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Employee benefit expenses (including directors' remuneration)		
– Wages, salaries, allowances and other benefits	**36,750**	39,855
– Contributions to defined contribution plans**	**3,475**	1,836
– Equity-settled share option expenses	**232**	189
Total employee benefit expenses*	**40,457**	41,880
Loss from impairment, net		
Loss allowance for expected credit losses ("**ECL**") of trade receivables, net	**2,083**	5,869
Loss from impairment of deposits paid to suppliers and prepayments	**1,155**	1,770
(Reversal)/loss allowance for ECL of other deposits and other receivables, net	**(83)**	1,289
Total loss from impairment	**3,155**	8,928
Other items		
Cost of inventories sold***	**85,669**	492,993
Provision for inventories in respect of write-down to net realisable value, net***	**10,286**	6,989
Depreciation of property, plant and equipment*	**2,900**	3,898
Depreciation of right-of-use assets*	**17,039**	15,973
Expense relating to short-term leases	**1,892**	3,894
Changes in fair value of financial assets at FVTPL	**52,575**	(133,965)
Foreign exchange (gain)/loss, net	**(629)**	1,187

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

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

*** Included in "Cost of sales"

7. INCOME TAX EXPENSES

For the six months ended 30 September 2021, no provision for Hong Kong Profits Tax and the PRC Enterprise Income Tax was made as the Group had incurred tax loss (six months ended 30 September 2020: had available tax losses brought forward from prior years to offset the assessable profits generated).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of approximately HK$187,535,000 (six months ended 30 September 2020: profit of approximately HK$90,515,000), and the weighted average number of ordinary shares of 2,260,097,946 (six months ended 30 September 2020: 2,260,097,946) in issue during the current period.

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as the Company's share options have no dilutive effect for the six months ended 30 September 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 six months ended 30 September 2021 and 2020.

9. TRADE RECEIVABLES

	30 September 2021 (Unaudited) *HK$'000*	31 March 2021 (Audited) *HK$'000*
Trade receivables	**334,535**	333,850
Less: Loss allowance for ECL	**(321,471)**	(316,961)
	13,064	16,889

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 Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Group. As at 30 September 2021, the trade receivables balances represented receivables from a large number of dispersed counterparties and customers with no material concentration (31 March 2021: 26% of the trade receivables balances represented receivables from top five customers). The Group does not hold any collateral or other credit enhancement over its trade receivables balances. Trade receivables are non-interest-bearing.

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

	30 September 2021 (Unaudited) *HK$'000*	31 March 2021 (Audited) *HK$'000*
Within 2 months	**2,495**	4,255
2 months to 6 months	**4,042**	7,051
6 months to 1 year	**6,527**	5,486
Over 1 year	**–**	97
	13,064	16,889

10. TRADE AND BILLS PAYABLES

	30 September 2021 (Unaudited) *HK$'000*	31 March 2021 (Audited) *HK$'000*
Trade payables	**3,620**	3,250
Bills payables	**413,755**	460,265
	417,375	463,515

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

	30 September 2021 (Unaudited) *HK$'000*	31 March 2021 (Audited) *HK$'000*
Within 1 month	**329**	9
1 month to 3 months	**–**	22
Over 3 months	**3,291**	3,219
	3,620	3,250

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) which were secured by the Group's pledged deposits of approximately RMB39,268,000 (equivalent to approximately HK$46,462,000).

11. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

12. EVENTS AFTER THE REPORTING PERIOD

In October 2021, the Group had made prepayments of approximately RMB534,191,000 (equivalent to approximately HK$652,034,000) to three purchase agents for the purchase of liquors products, of which approximately RMB164,691,000 (equivalent to approximately HK$201,022,000) was paid to a company controlled by a brother of Mr. Liang Guoxing. It is expected that the purchase and related sales of relevant liquors products would be completed on or before 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the six months ended 30 September 2021 (the "Period under Review"), the Group recorded a total revenue of approximately HK$100.5 million (corresponding period in 2020: approximately HK$674.9 million), representing a decrease of approximately 85.1% compared with last year. Excluding the provision for inventories, during the Period under Review, the Group's gross profit was approximately HK$14.9 million (corresponding period in 2020: approximately HK$181.9 million). The gross profit margin before provision for inventories was approximately 14.8% (corresponding period in 2020: approximately 27.0%), while the loss attributable to the ordinary equity holders of the Company was approximately HK$187.5 million (corresponding period in 2020: profit of approximately HK$90.5 million). Basic loss per share was approximately HK8.30 cents (corresponding period in 2020: basic earnings per share of approximately HK4.00 cents). During the Period under Review, the revenue generated from the PRC market and the international market accounted for approximately 99.0% (corresponding period in 2020: approximately 76.1%) and approximately 1.0% (corresponding period in 2020: approximately 23.9%) of the Group's total revenue respectively.

Baijiu Business

In the first half of 2021, a double-digit year-on-year growth of 12.8%* was achieved by enterprises above designated size, but in 2020, there was a pandemic-induced decline in total production of baijiu by nearly 9.0%* as compared to the previous year*, and together with the trend of consumption upgrade and increasing health awareness in the society, the total annual production capacity of baijiu is on a decreasing trend and the market size has been gradually reducing. Meanwhile, the festive spirit and celebration around the Mid-Autumn Festival and National Day Holiday in the PRC this year were not as strong as in the past few years, for the following reasons: first, daily consumption of baijiu became more popular which gradually weakened the seasonal consumption pattern in the industry, while the Chinese New Year Holiday remains as a strong consumption period; second, with the earlier arrival of the Mid-Autumn Festival, distributors accumulated their stocks in advance, and the "dual holiday" effect was less significant this year; third, the successively occurrence of sporadic cases of COVID-19 in the country, coupled with floodings, had impacted the demand in various regions to a certain extent.

The pandemic not just caused a decline in domestic sales, it also delayed the progress of internationalization of the Chinese baijiu industry. Compared with the domestic market, export volume and value is extremely small, only accounts for 0.2%^ of total production volume and 4.9%^ of sales revenue in 2020, and a total decrease of 18.0%^ and 31.8%^ respectively over the last three years.

* https://xueqiu.com/3783672580/192712442

^ http://www.cnfia.cn/archives/19123

During the Period under Review, the Group was affected by various prevailing factors and limited supply of baijiu products, resulting in a significant decline of revenue in both international and PRC markets.

E-commerce Business

The online development for liquor retailing and baijiu consumption accelerated in the time of the pandemic. Small smartphone screen has replaced the large TV screen as the major promotional channel for brands and became an important medium to reach the consumer market that cannot be overlooked. It is also an emerging driver in the structural reform of the whole industry. High-end baijiu brands enhanced their online sales channels and with the gradual emergence of online baijiu brands, online sales has become a key development direction for the baijiu industry. During the Period under Review, the Group successfully upgraded the system of Wine Kingdom, WEjiu and Jiazijiao(甲子窖) sales platforms, providing more flexible online sales services to the customers.

Wine and Cigarettes Business

After balancing the cost and contribution to the total sales of this segment, the Group has made corresponding adjustments to dedicate its resources mainly to its core baijiu business. Wine and cigarettes businesses will only be operated after careful consideration.

Outlook and Future Development

Baijiu is a traditional beverage and domestic consumer product unique to China and the industry is a typical demand-driven one. The structural and tendency change in consumer demand has brought impacts to the industry's sales channels and distribution models and also new opportunities.

As COVID-19 has continued to ravage the world, the domestic and international sales of baijiu have also been affected to a certain extent. However, with extensive experience as a baijiu distributor for many years, the Group will make appropriate adjustments and strengthen its existing resources in terms of sales channels, products structure and cost control. The Group will also continue to maintain its long-standing relationships with manufacturers and customers to achieve its goal of diversified quality services and sustainable development, also continue to strengthen its advantages and maintain its leading position in the baijiu industry.

FINANCIAL REVIEW

Revenue and Gross Profit

The Group generates its revenue primarily from sales of high-end liquors. For the six months ended 30 September 2021, the Group recorded a total revenue of approximately HK$100.5 million, representing a decrease of approximately 85.1% compared to a total revenue of approximately HK$674.9 million for the six months ended 30 September 2020. For the six months ended 30 September 2021, approximately 99.0% of revenue was derived from the PRC market (corresponding period in 2020: approximately 76.1%) and approximately 1.0% of revenue was derived from the international market (corresponding period in 2020: approximately 23.9%).

The Group's gross profit for the six months ended 30 September 2021 was approximately HK$4.6 million (corresponding period in 2020: approximately HK$174.9 million). The decrease in gross profit was mainly due to the significant decrease in sales volume during the period due to the influence of COVID-19 pandemic. Excluding the factor of provision for inventories, the Group's gross profit for the six months ended 30 September 2021 was approximately HK$14.9 million (corresponding period in 2020: approximately HK$181.9 million), the gross profit ratio before provision for inventories was approximately 14.8% (corresponding period in 2020: approximately 27.0%).

Other (Losses)/Income, Net

Other (losses)/income, net amounted to loss of approximately HK$46.8 million for the six months ended 30 September 2021 (corresponding period in 2020: gain of approximately HK$138.8 million). Such decrease was mainly due to the loss from changes in fair value of financial assets at fair value through profit or loss ("**FVTPL**") of approximately HK$52.6 million (corresponding period in 2020: gain of approximately HK$134.0 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 lockup 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, rental expenses and miscellaneous expenses related to sales.

Selling and distribution expenses amounted to approximately HK$45.9 million (corresponding period in 2020: approximately HK$106.9 million) accounting for approximately 45.7% (corresponding period in 2020: approximately 15.8%) of the revenue of the Group for the six months ended 30 September 2021. Such decrease was mainly due to the significant decrease in traveling expenses for sales personnel, advertising and promotional expenses and entertainment expenses for business purpose.

Administrative Expenses

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

Administrative expenses amounted to approximately HK$34.2 million (corresponding period in 2020: approximately HK$41.9 million) accounting for approximately 34.0% (corresponding period in 2020: approximately 6.2%) of the revenue of the Group for the six months ended 30 September 2021. Such decrease was mainly due to the decrease in office rental and office expenses for administrative purpose.

Loss from Impairment, Net

Loss recorded in this account amounted to approximately HK$3.2 million (corresponding period in 2020: approximately HK$8.9 million) for the six months ended 30 September 2021. The change was mainly due to decrease in loss allowance for expected credit losses of trade receivables and loss from impairment of deposits paid to suppliers and prepayments during the period.

Finance Costs

Finance costs amounted to approximately HK$62.2 million (corresponding period in 2020: approximately HK$80.5 million) representing approximately 61.9% (corresponding period in 2020: approximately 11.9%) of the Group's revenue for the six months ended 30 September 2021. The finance costs include interest on interest-bearing bank and other borrowings, interest on bond payables and interest on lease liabilities. Such decrease was mainly due to the decrease in the interest on bond payables.

Income Tax Expenses

For the six months ended 30 September 2021, no provision for Hong Kong profits tax and the PRC Enterprise Income Tax was made as the Group had incurred tax loss (six months ended 30 September 2020: had available tax losses brought forward from prior years to offset the assessable profits generated).

(Loss)/Profit 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 six months ended 30 September 2021 amounted to approximately HK$187.5 million (corresponding period in 2020: profit of approximately HK$90.5 million).

Dividends

The Company did not pay any interim dividend for the six months ended 30 September 2020 and any final dividend for the year ended 31 March 2021.

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021.

Inventories

As at 30 September 2021, the Group's inventories was approximately HK$147.9 million (31 March 2021: approximately HK$185.7 million). The decrease was mainly due to the significant decrease in purchase volume during the period as compared to corresponding period in 2020.

Other Investments

As at 30 September 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 2.81% to 3.31% per annum during the period. 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.

Trade Receivables

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 Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management of the Group. Trade receivables are non-interest-bearing.

The decrease in trade receivables was mainly due to the further addition of loss allowance for ECL made during the period.

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 aging of the balances, total loss allowance for ECL in aggregate of approximately HK$321.5 million (31 March 2021: approximately HK$317.0 million) had been made by the Group as at 30 September 2021.

As at 30 September 2021, the trade receivables, net of loss allowance for ECL were approximately HK$13.1 million (31 March 2021: approximately HK$16.9 million). Approximately 19.1% of the net trade receivables were aged within two months as at 30 September 2021 (31 March 2021: approximately 25.2%).

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 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 receivables was approximately HK$3.2 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 30 September 2021, the fair value of the investment represented approximately 12.7% (31 March 2021: approximately 14.0%) of the total assets of the Group. An unrealised fair value loss of approximately HK$52.6 million (corresponding period in 2020: gain of approximately HK$134.0 million) was recognised for the six months ended 30 September 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 30 September 2021, the trade and bills payables was approximately HK$417.4 million (31 March 2021: approximately HK$463.5 million). Such decrease was due to the settlement of portion of bills during the period.

Liquidity and Financial Resources

As at 30 September 2021, the Group had cash and cash equivalents of approximately HK$666.0 million (31 March 2021: approximately HK$614.4 million), approximately 97.2% (31 March 2021: approximately 96.7%) of which was denominated in RMB, approximately 1.3% (31 March 2020: approximately 1.7%) of which was denominated in HK$ and approximately 1.5% (31 March 2021: approximately 1.6%) of which was denominated in other currencies. As at 30 September 2021, the Group's net current assets were approximately HK$221.4 million (31 March 2021: approximately HK$500.0 million).

Capital Structure of the Group

Total interest-bearing bank and other borrowings under the current liabilities as at 30 September 2021 was approximately HK$270.9 million (31 March 2021: approximately HK$253.4 million) which were bank loans and other loans.

The Group's interest-bearing bank and other borrowings under the current liabilities were denominated in HK$ and RMB.

As at 30 September 2021, the Group's interest-bearing bank and other borrowings are secured by the Group's pledged deposits of approximately RMB164.8 million (equivalent to approximately HK$197.8 million) (31 March 2021: approximately RMB159.8 million (equivalent to approximately HK$189.1 million) and were supported by corporate guarantees executed by the Company, a director of the Company, subsidiaries of the Company and a related company of the Company.

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 30 September 2021, the gearing ratio was approximately 80.5% (31 March 2021: approximately 70.4%).

Employment and Remuneration Policy

The Group had a total work force of 129 employees in Hong Kong, the PRC and Poland as at 30 September 2021 (31 March 2021: 172 employees). The total salaries and related costs (including Directors' fee) amounted to approximately HK$40.5 million for the six month ended 30 September 2021 (31 March 2021: approximately HK$94.1 million for full financial year). 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**"). As at 30 September 2021, the maximum number of share which may be issued upon exercise of all outstanding options granted under the Share Option Scheme is 53,550,000 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$24.1 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 approximately HK$22.7 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. 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. According to a judgement dated 28 April 2021 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 condensed consolidated interim financial information, the Group has not bought back any inventories form the Plaintiff. The directors of the Company having consulted the legal advice from an independent legal counsel, are of the opinion that adequate provision in the sum of approximately RMB10.0 million (equivalent to approximately HK$12.0 million) has been made in the condensed consolidated interim financial information 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 condensed consolidated interim financial information, the claim is still in the early stage of legal proceedings. Based on the legal opinion 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.

(c) In September 2021, the Group received a winding-up petition filed by Techian International Development Limited ("**Techian**"), as petitioner, against Silver Base International Development Limited ("**SBIL**"), a subsidiary of the Group, in the Court of First Instance of the High Court of Hong Kong Special Administrative Region (the "**Court**") that SBIL be wound up by the Court or such other order that the Court may deem just. Techian relied on an unsettled statutory demand for the sum of approximately HK$43.9 million for refund of deposit allegedly paid by Techian to SBIL together with a penalty in the form of interest in relation to the claim. In the alternative, a bounced cheque in the sum of approximately HK$37.8 million which was issued by SBIL to Techian previously. In respect of the aforesaid deposit, approximately HK$37.8 million had been recognised in "Contract liabilities" as at 30 September 2021. At the same time, SBIL has also commenced an action at the Court against Techian to claim damages against Techian for its breach of agreements in the sum of no less than HK$180.0 million. The directors of the Company having consulted the legal advice, as the proceeding is at an early stage and SBIL has an arguable defence against the petition, the outcome of the legal cases and the amount of penalties required could not be predicted and measured with sufficient reliability at the moment. Accordingly, no provision for litigation was made for the six months ended 30 September 2021. Subsequent to the 30 September 2021 and up to the date of approval of the condensed consolidated interim financial information, the litigation is still in process.

(d) In October 2021, the Company received a winding-up petition filed by a creditor, as petitioner, against the Company in the Court of First Instance of the High Court of Hong Kong Special Administrative Region for the settlement of an outstanding indebted sum of approximately HK$4.3 million together with interests in relation to the claim. A settlement agreement had been entered between the Company and the creditor in October 2021, the Company has settled approximately HK$4.5 million in respect to the settlement of this case.

(e) In October 2021, the Company received a winding-up petition filed by a creditor, as petitioner, against the Company in the Court of First Instance of the High Court of Hong Kong Special Administrative Region for the settlement of an outstanding indebted sum of approximately HK$5.2 million together with interests in relation to the claim. In respect of the aforesaid outstanding indebted sum, approximately HK$5.2 million had been recognised in "Bonds payables" as at 30 September 2021. After considering the legal advice, the directors of the Company considered no provision for litigation was required to be made for the six months ended 30 September 2021. Subsequent to the 30 September 2021 and up to the date of approval of the condensed consolidated interim financial information, the litigation is still in process.

(f) In October 2021, there was a litigation initiated by a creditor of the Company for the settlement of an outstanding indebted sum of approximately HK$5.2 million together with interests in relation to the claim. In respect of the aforesaid outstanding indebted sum, approximately HK$5.0 million had been recognised in "Bonds payables" as at 30 September 2021. After considering the legal advice, the directors of the Company are of the opinion that no provision for litigation was required to be made for the six months ended 30 September 2021. Subsequent to the 30 September 2021 and up to the date of approval of the condensed consolidated interim financial information, the litigation is still in process.

(g) In October 2021, there was a litigation initiated by a creditor of the subsidiary of the Group claiming for refund of deposit in breach of sales confirmation amounted to approximately HK$12.9 million against SBIL. In respect of the aforesaid deposit, approximately HK$12.9 million had been recognised in "Contract liabilities" as at 30 September 2021. The directors of the Company having consulted the legal advice, considered the ultimate litigation exposure of the Group would amount to HK$13.9 million, therefore, the Group recognised a provision for litigation of approximately HK$1.0 million in profit or loss for the six months ended 30 September 2021. Subsequent to the 30 September 2021 and up to the date of approval of the condensed consolidated interim financial information, the litigation is still in process.

(h) In November 2021, the Company received a winding-up petition filed by a creditor, as petitioner, against the Company in the Court of First Instance of the High Court of Hong Kong Special Administrative Region for the settlement of an outstanding indebted sum of approximately HK$10.3 million together with interests in relation the claim. In respect of the aforesaid outstanding indebted sum, approximately HK$10.5 million had been recognised in "Bonds payables" as at 30 September 2021. The directors of the Company considered no provision for litigation was required to be made for the six months ended 30 September 2021. Subsequent to the 30 September 2021 and up to the date of approval of the condensed consolidated interim financial information, the litigation is still in process.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules on the Stock Exchange throughout the six months ended 30 September 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 an 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 have complied with the standards set out in the Model Code during the six months ended 30 September 2021.

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 unpublished price-sensitive 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 possesses professional accounting qualifications, Mr. Ma Lishan and Mr. Tam Kim Fung. 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 principal duties of the Audit Committee include the review and supervision of the Group's financial reporting and internal control process.

The interim condensed consolidated financial statements have not been reviewed nor audited by the Company's auditor, but the Audit Committee along with the management of the Company has reviewed the interim condensed consolidated financial statements for the six months ended 30 September 2021 and is of the opinion that the preparation of such financial statements complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made except for the Audit Committee cannot determine the appropriateness of the adoption of going concerns basis.

COMPLIANCE COMMITTEE

The compliance committee of the Company (the "**Compliance Committee**") currently comprises three members, all of whom are independent non-executive Directors, namely Mr. Hung Sui Kwan, Mr. Ma Lishan and Mr. Tam Kim Fung. Mr. Hung Sui Kwan is the chairman of the Compliance Committee.

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 period under review.

EVENTS AFTER BALANCE SHEET DATE

In October 2021, the Group had made prepayments of approximately RMB534.2 million (equivalent to approximately HK$652.0 million) to three purchase agents for the purchase of liquors products, of which approximately RMB164.7 million (equivalent to approximately HK$201.0 million) was paid to a company controlled by a brother of Mr. Liang. It is expected that the purchase and related sales of relevant liquors products would be completed on or before 31 March 2022.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2021 (corresponding period in 2020: Nil).

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.silverbasegroup.com). The interim report for the six months ended 30 September 2021 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, 29 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.

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.