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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$1,260.2 million
- Gross profit was approximately HK$234.0 million
- Profit for the year attributable to ordinary equity holders of the Company was approximately HK$130.4 million
- Earnings per share (approximately)
  Basic HK8.95 cents
  Diluted HK8.84 cents
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2016

The Board resolved to recommend a bonus issue of shares of the Company on the basis of one bonus share for every two existing shares held. Details of the Bonus Issue were disclosed in the announcement of the Company dated 14 June 2016.

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 2016, together with the comparative figures for the previous year in 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
REVENUE	5	**1,260,232**	418,865
Cost of sales		**(1,026,253)**	(336,182)
Gross profit		**233,979**	82,683
Other income and gains, net	5	**77,463**	1,084
Selling and distribution expenses		**(180,752)**	(180,141)
Administrative expenses		**(103,223)**	(110,719)
Write-back of impairment, net		**17,843**	170,948
Finance costs	6	**(25,511)**	(30,808)
PROFIT/(LOSS) BEFORE TAX	7	**19,799**	(66,953)
Income tax credit	8	**110,550**	47,516
PROFIT/(LOSS) FOR THE YEAR		**130,349**	(19,437)
ATTRIBUTABLE TO:			
ORDINARY EQUITY HOLDERS OF THE COMPANY		**130,408**	(19,098)
NON-CONTROLLING INTERESTS		**(59)**	(339)
		130,349	(19,437)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (HK cents)	10	**8.95**	(1.41)
Diluted (HK cents)	10	**8.84**	(1.41)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**130,349**	(19,437)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified/ reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(45,654)**	1,093
Realisation of exchange fluctuation reserve upon dissolution of subsidiaries	**(186)**	150
Net other comprehensive income/(loss) to be reclassified/reclassified to profit or loss in subsequent periods	**(45,840)**	1,243
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(45,840)**	1,243
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**84,509**	(18,194)
ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE COMPANY	**84,568**	(17,855)
NON-CONTROLLING INTERESTS	**(59)**	(339)
	84,509	(18,194)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9,674**	12,829
Investment property		**–**	6,711
Intangible asset		**8,300**	8,300
Deposits		**2,561**	3,277
Total non-current assets		**20,535**	31,117
CURRENT ASSETS			
Property held for sale		**9,606**	–
Inventories		**692,837**	758,305
Trade receivables	11	**23,013**	1,155
Bills receivable	11	**48,249**	74,613
Prepayments, deposits and other receivables		**853,956**	366,263
Pledged deposits		**75,000**	15,150
Cash and cash equivalents		**300,709**	170,058
Total current assets		**2,003,370**	1,385,544
CURRENT LIABILITIES			
Trade payables	12	**10,143**	3,857
Bills payable	12	**615,000**	–
Deposits received, other payables and accruals		**240,544**	168,254
Bank advance for discounted bills		**28,800**	73,540
Interest-bearing bank and other borrowings		**222,000**	453,897
Due to related parties		**160**	4,313
Due to directors		**1,251**	28,872
Tax payable		**64,841**	171,954
Total current liabilities		**1,182,739**	904,687
NET CURRENT ASSETS		**820,631**	480,857
TOTAL ASSETS LESS CURRENT LIABILITIES		**841,166**	511,974
NON-CURRENT LIABILITY			
Bond payables		**13,997**	–
Net assets		**827,169**	511,974
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	13	**151,521**	134,921
Reserves		**676,701**	378,047
		828,222	512,968
Non-controlling interests		**(1,053)**	(994)
Total equity		**827,169**	511,974

NOTES

31 March 2016

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 September 2007. The registered office of the Company is located at the office of Codan Trust Company (Cayman) Limited, whose address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 1802-03, 18th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

The Group is principally engaged in the distribution of Wuliangye (五糧液) liquor series, National Cellar 1573 baijiu with 43% alcohol content, Kweichow Moutai Chiew products, Fen Wine with 55% alcohol content liquor series, Red Fen Shijia liquor series, Yaxi Classic liquor series and Old Vintage liquor series, wine, foreign liquor series and Chinese cigarettes.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

The Group recorded revenue and a consolidated profit before tax of HK$1,260,232,000 (2015: HK$418,865,000) and HK$19,799,000 (2015: consolidated loss before tax of HK$66,953,000), respectively, for the year ended 31 March 2016. Excluding the write-back of impairment, net of HK$17,843,000, the Group recorded a consolidated profit before tax of HK$1,956,000 for the year, which included (i) provision for inventories in respect of write-down to net realisable value amounting to HK$17,408,000 (2015: HK$21,517,000); and (ii) share option expense amounting to HK$18,667,000 (2015: HK$31,796,000). These non-cash items had not affected the Group's operating cash flows. The Group had net cash outflows used in financing activities of approximately HK$67,161,000 (2015: net cash inflows of approximately HK$130,668,000) for the year ended 31 March 2016.

As at 31 March 2016, the Group recorded net current assets of HK$820,631,000 (2015: HK$480,857,000), which included inventories of HK$692,837,000 (2015: HK$758,305,000), trade receivables of HK$23,013,000 (2015: HK$1,155,000), pledged deposits of HK$75,000,000 (2015: HK$15,150,000), cash and cash equivalents of HK$300,709,000 (2015: HK$170,058,000) and outstanding bank and other loans of HK$222,000,000 (2015: HK$453,897,000) and bills payable of HK$615,000,000 (2015: Nil), which were due for repayment or renewal within the next twelve months after 31 March 2016.

The bills payable of HK$615,000,000 were arranged in respect of the Group's purchase prepayments to a supplier and are due for repayment in January and March 2017. In the event that the cash flows generated from the operating activities of the Group are insufficient to pay the bills payables on the due dates, the Group will negotiate with the grantor PRC bank for the extension or renewal of the facilities.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(1) Bank facilities

Subsequent to 31 March 2016, in May 2016, the Group has successfully obtained a new long-term bank loan of RMB165 million (equivalent to approximately HK$198 million) from a bank in the People's Republic of China ("**PRC**"), of which RMB20 million (equivalent to HK$24 million) will be due for repayment within twelve months from the end of the reporting period, for the Group's partial repayment of short-term bank loan of RMB185 million (equivalent to approximately HK$222 million) due in April 2016.

The Group will actively negotiate with the PRC banks for the renewal of the Group's PRC bank borrowings and bills payable when they fall due to secure necessary facilities to meet the Group's working capital and financial requirements in the near future. The directors of the Company have evaluated all the relevant facts available to them and are of the opinion that there have a good track record or relationship with the banks which will enhance the Group's ability to renew the Group's PRC bank loans and facilities upon expiry.

(2) Fund raising activities

The Group will actively seek opportunities to carry out fund raising activities including but not limited to issuance of bonds as alternative sources of funding. Subsequent to the end of the reporting period, the Group has issued an unlisted bond with principal amount of HK$51,300,000 for the Group's working capital.

(3) Attainment of profitable and positive cash flow operations

The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with the aim to attain profitable and positive cash flow operations.

In order to enhance the Group's online sale and marketing channels for its winery products, the Group has entered into various service agreements with certain e-commerce platform service providers, and operated an online store.

In addition, the Group will actively expand its middle to low-end product lines for the existing national brand in order to enhance market position in the baijiu industry and diversify sources of revenue.

After taking into account the above measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any future liabilities which might arise. The effect of these adjustments has not been reflected in these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of Company and its subsidiaries for the year ended 31 March 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the ordinary equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

Other than as explained below regarding the impact of *Annual Improvements to HKFRSs 2010-2012 Cycle* and *Annual Improvements to HKFRSs 2011-2013 Cycle*, the adoption of the above revised standards has had no significant financial effect on these financial statements.

(a) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 24 *Related Party Disclosures:* Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(b) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 13 *Fair Value Measurement:* Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property:* Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group.

In addition, the Company has adopted the amendments to the Listing Rules issued by The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has three 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**");

(ii) the distribution of Chinese cigarettes ("**Cigarettes**"); and

(iii) the investment in a residential apartment for its rental income potential ("**Property investment**").

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, other gains and finance costs are excluded from such measurement.

Year ended 31 March 2016

	Liquors *HK$'000*	Cigarettes *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	**1,255,492**	**4,740**	**–**	**1,260,232**
Purchase incentive from a supplier	**64,223**	**–**	**–**	**64,223**
Gain on disposal of an investment property	**–**	**–**	**10,306**	**10,306**
Foreign exchange gains, net	**207**	**–**	**–**	**207**
Total	**1,319,922**	**4,740**	**10,306**	**1,334,968**
Segment results	**30,709**	**1,782**	**10,092**	**42,583**
Reconciliation:				
Interest income				**209**
Other gains				**2,518**
Finance costs				**(25,511)**
Profit before tax				**19,799**
Other segment information:				
Depreciation	**8,279**	**27**	**17**	**8,323**
Loss on disposal of items of property, plant and equipment	**508**	**–**	**–**	**508**
Write-back of impairment allowance of trade receivables	**(9,686)**	**–**	**–**	**(9,686)**
Write-back of impairment allowance of bills receivable	**(5,555)**	**–**	**–**	**(5,555)**
Impairment allowance of prepayments and other receivables	**1,850**	**–**	**–**	**1,850**
Write-back of impairment allowance of prepayments and other receivables	**(4,452)**	**–**	**–**	**(4,452)**
Provision for inventories in respect of write-down to net realisable value	**17,408**	**–**	**–**	**17,408**
Provision for a claim	**12,261**	**–**	**–**	**12,261**
Capital expenditure*	**6,260**	**–**	**–**	**6,260**

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

Year ended 31 March 2015

	Liquors *HK$'000*	Cigarettes *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	398,928	19,937	–	418,865
Other revenue	–	–	48	48
Foreign exchange gains, net	405	5	–	410
Total	399,333	19,942	48	419,323
Segment results	(32,230)	(4,317)	(224)	(36,771)
Reconciliation:				
Interest income				431
Other gains				195
Finance costs				(30,808)
Loss before tax				(66,953)
Other segment information:				
Depreciation	13,708	1,126	209	15,043
Loss on disposal of items of property, plant and equipment	22	–	–	22
Impairment allowance of trade receivables	504	–	–	504
Write-back of impairment allowance of trade receivables	(152,003)	–	–	(152,003)
Write-back of impairment allowance of bills receivable	(7,054)	–	–	(7,054)
Impairment allowance of prepayments and other receivables	240	–	–	240
Write-back of impairment allowance of prepayments and other receivables	(12,635)	–	–	(12,635)
Provision for inventories in respect of write-down to net realisable value	21,517	–	–	21,517
Capital expenditure*	3,370	320	–	3,690

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

Geographical information

	Hong Kong	Mainland China	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2016				
Revenue from external customers*	**717,482**	**542,750**	**–**	**1,260,232**
Non-current assets**	**11,372**	**6,602**	**–**	**17,974**
Year ended 31 March 2015				
Revenue from external customers*	175,833	241,940	1,092	418,865
Non-current assets**	19,736	8,104	–	27,840

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

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

Information about major customers

Revenue from a major customer of approximately HK$631,686,000 (2015: HK$123,588,000) for the year ended 31 March 2016 was derived from sales by the Liquors segment and the Cigarettes segment, including sales to two entities which are known to be under common control of this major customer.

Revenues from two major customers of approximately HK$123,588,000 and HK$55,191,000 respectively for the year ended 31 March 2015 were derived from sales by the Liquors segment and the Cigarettes segment, including sales to two entities which are known to be under common control of one major customer.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

An analysis of the Group's other income and gains, net is as follows:

	2016	2015
	HK$'000	*HK$'000*
Purchase incentive from a supplier	**64,223**	–
Gain on disposal of an investment property	**10,306**	–
Bank interest income	**209**	431
Gross rental income	**–**	48
Foreign exchange gains, net	**207**	410
Others	**2,518**	195
	77,463	1,084

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on discounted bills	**2,568**	3,511
Interest on bank and other loans and trust receipt loans	**21,482**	26,982
Interest on bond payables	**853**	–
Others	**608**	315
	25,511	30,808

7. PROFIT/(LOSS) BEFORE TAX

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

	Note	**2016** *HK$'000*	2015 *HK$'000*
Cost of inventories sold**		**1,008,845**	314,665
Depreciation:			
Property, plant and equipment		**8,306**	14,834
Investment property		**17**	209
		8,323	15,043
Minimum lease payments under operating leases		**43,210**	52,694
Loss on disposal of items of property, plant and equipment		**508**	22
Loss/(gain) on dissolution of subsidiaries		**(186)**	150
Impairment allowance of trade receivables*	11	**–**	504
Write-back of impairment allowance of trade receivables*		**(9,686)**	(152,003)
Write-back of impairment allowance of bills receivable*		**(5,555)**	(7,054)
	11	**(15,241)**	(159,057)
Impairment allowance of prepayments and other receivables*		**1,850**	240
Write-back of impairment allowance of prepayments and other receivables*		**(4,452)**	(12,635)
Provision for inventories in respect of write-down to net realisable value**		**17,408**	21,517
Provision for a claim		**12,261**	–
Auditors' remuneration		**2,600**	2,500
Employee benefit expense (including directors' remuneration):			
Wages, salaries, allowances and benefits in kind		**57,500**	65,537
Pension scheme contributions		**4,597**	4,303
Equity-settled share option expense		**18,667**	31,796
		80,764	101,636
Direct operating expenses (including repairs and maintenance) arising on a rental-earning investment property		**197**	63

* Included in "Write-back of impairment, net" on the face of the consolidated statement of profit or loss.

** Included in "Cost of sales" on the face of the consolidated statement of profit or loss.

The employee benefit expense (including directors' remuneration) includes housing benefit with aggregate rentals of HK$6,615,000 (2015: HK$7,251,000), which is also included in the total amount disclosed separately above.

At 31 March 2016, the Group had no forfeited contributions available to reduce its contribution to the pension schemes in future years (2015: Nil).

8. INCOME TAX

No provision for Hong Kong profits tax has been made for the year as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. During the year ended 31 March 2015, no provision for Hong Kong profits tax had been made for the year ended 31 March 2015 as the Group did not generate any assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	2016	2015
	HK$'000	*HK$'000*
Current – Elsewhere		
Charge for the year	**97**	77
Overprovision in prior years	**(110,647)**	(47,593)
Total tax credit for the year	**(110,550)**	(47,516)

9. DIVIDENDS

The Company's directors do not recommend the payment of any dividend for the year ended 31 March 2016 (2015: Nil).

The board of directors has recommended a bonus issue of 1 bonus share for every 2 existing shares held for the year ended 31 March 2016 being subject to the approval of the shareholders at the extraordinary general meeting of the Company to be held on 15 July 2016.

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

The calculation of the basic earnings/(loss) per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$130,408,000 (2015: loss of HK$19,098,000), and the weighted average number of ordinary shares of 1,457,151,352 (2015: 1,351,772,945) in issue during the year.

The calculation of the diluted earnings per share amount presented for the year ended 31 March 2016 is based on the profit for the year attributable to ordinary equity holders of the Company of HK$130,408,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment had been made to the basic loss per share amount presented for the year ended 31 March 2015 in respect of a dilution as the share options outstanding had no dilutive effect on the basic loss per share amount presented for the year ended 31 March 2015.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2016	2015
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company	**130,408**	(19,098)

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,457,151,352**	1,351,772,945
Effect of dilution		
Weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year	**17,457,586**	N/A
	1,474,608,938	1,351,772,945

11. TRADE AND BILLS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**220,388**	208,216
Impairment allowance	**(197,375)**	(207,061)
	23,013	1,155
Bills receivable	**48,249**	80,168
Impairment allowance	**–**	(5,555)
	48,249	74,613
	71,262	75,768

The Group normally allows a credit period of not more than 3 months to its customers except for certain identified major customers where longer credit terms may be granted upon approval by the management. The credit terms of bills receivable are generally 6 months. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Over 25% of the trade and bills receivables balances as at 31 March 2016 represented receivables from five customers. As at 31 March 2015, in view of the fact that the Group's trade and bills receivables relate to a number of diversified customers, there was no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancement over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 2 months	**28,010**	38,471
2 to 6 months	**43,252**	37,180
6 months to 1 year	**–**	69
Over 1 year	**–**	48
	71,262	75,768

Included in the above trade and bills receivables as at 31 March 2016, amounts totalling HK$28,800,000 (2015: HK$73,540,000) were discounted to banks in exchange for cash and included as "Bank advance for discounted bills" on the face of the consolidated statement of financial position.

The movements in impairment allowance of trade and bills receivables are as follows:

	2016	2015
	HK$'000	*HK$'000*
At beginning of the year	**212,616**	592,433
Impairment allowance recognised *(note 7)*	**–**	504
Impairment losses reversed *(note 7)**	**(15,241)**	(159,057)
Written off as uncollectible	**–**	(221,264)
At end of the year	**197,375**	212,616

* During the year ended 31 March 2016, the Group has confiscated one residential property in PRC as settlement from a customer for a bill receivable of HK$5,555,000, which was previously impaired. Besides, the carrying amount before provision was decreased by HK$9 million, for previously impaired trade receivables denominated in Renminbi ("**RMB**") due to the depreciation of RMB during the year. As such, the related impairment allowance on these trade and bills receivables of approximately HK$15 million in aggregate was reversed during the year ended 31 March 2016.

During the year ended 31 March 2015, the Group has bought back inventories from one distributor and the purchase consideration of HK$143 million was offset with the Group's trade receivables due from this distributor which were previously impaired. Besides, during the year ended 31 March 2015 and up to the date of approval of the Group's financial statements for the year ended 31 March 2015, settlements of HK$16 million were received by the Group from a few distributors for the previously impaired trade and bills receivables of the same amount. As such, the related impairment allowance on these trade and bills receivables of approximately HK$159 million in aggregate was reversed during the year ended 31 March 2015.

12. TRADE AND BILLS PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**546,986**	–
1 month to 3 months	**75,000**	716
Over 3 months	**3,157**	3,141
	625,143	3,857

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

The bills payable are non-interest-bearing and with 365 days settlement terms.

As at 31 March 2016, the Group's bills payable of HK$615,000,000 (2015: Nil) were secured by the Group's inventories with cost in aggregate of RMB427,352,000 (equivalent to HK$512,822,000) (2015: Nil) and the Group's pledged bank deposits of HK$75,000,000 (2015: Nil).

13. SHARE CAPITAL

	Note	**2016**	2015
		HK$'000	*HK$'000*
Authorised:			
100,000,000,000 (2015: 100,000,000,000) ordinary shares of HK$0.1 each		**10,000,000**	10,000,000
Issued and fully paid:			
1,515,205,997 (2015: 1,349,205,997) ordinary shares of HK$0.1 each	*(a)*	**151,521**	134,921

Note:

(a) On 27 July 2015, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has agreed to place up to 276,493,999 new ordinary shares of the Company of HK$0.1 each through the placing agent at HK$1.31 per share.

On 7 August 2015, 166,000,000 ordinary shares of HK$0.1 each were issued for cash at HK$1.31 per share pursuant to the placing agreement dated 27 July 2015 for a total cash consideration, before related expenses, of HK$217,460,000.

During the year ended 31 March 2015, the Company repurchased its own ordinary shares on Hong Kong Stock Exchange. All ordinary shares repurchased during the year ended 31 March 2015 were cancelled, and the issued share capital of the Company was reduced by the par value of the repurchased ordinary shares so cancelled. The premium of HK$5,060,000 paid for the repurchase of the ordinary shares was charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

During the year ended 31 March 2016 (the "**Year under Review**"), the Group successfully walked out of the stagnant sales situation and achieved explosive growth. The Group recorded a total revenue of approximately HK$1,260.2 million (2015: HK$418.9 million), representing a substantial increase of approximately 200.9% as compared to the corresponding period in 2015. Excluding the factor of provision for inventories, the Group's gross profit was approximately HK$251.4 million (2015: HK$104.2 million). The gross profit margin before provision for inventories was approximately 19.9% (2015: 24.9%). The profit attributable to the ordinary equity holders of the Company was approximately HK$130.4 million (2015: loss of HK$19.1 million). Basic earnings per ordinary share was approximately HK8.95 cents (2015: loss per ordinary share HK1.41 cents).

During the Year under Review, the Group's cash flow from operating activities has fundamentally improved. During the year, the net cash inflow from operating activities was HK$264.1 million. At the end of the year, cash and cash equivalents amounted to HK$300.7 million. During the Year under Review, the Group has also obtained the support of banking facilities. A one-year term facility of HK$615.0 million was granted to the Group through bank's acceptance bills, which provided support for the Group's proper expansion.

During the Year under Review, revenue derived from the PRC market accounted for approximately 43.1% of the Group's total revenue (2015: 57.8%), while revenue from the international market accounted for approximately 56.9% of the total revenue (2015: 42.2%).

Baijiu Business

During the Year under Review, China's baijiu industry experienced an industry-wide growth after three years of industrial adjustments. According to data from the National Bureau of Statistics, the income of catering service for the year 2015 was RMB3,231 billion, representing a year-on-year growth of 11.7%. Restaurants are the major locations for baijiu consumption. With the impact of restrictions on government official consumption, the recovery of the catering industry indicates that commercial and mass consumptions have already replaced government official consumption as the major part of the catering market.

The rationalization and stability of the prices of the Moutai and Wuliangye products indicate that the consumers accept the current price level of Moutai and Wuliangye products. The Group firmly believes that Moutai and Wuliangye products have become the preferred choices of high-end baijiu in business dinners, gatherings of companies, friends and family as well as for gifts. The Moutai and Wuliangye products are increasingly displaying the unique advantages of their brand values in the baijiu industry. The rationalization of their prices has squeezed the markets of second and third tier baijiu brands; and some of their consumers has converted into Moutai and Wuliangye consumers. The Group also believes that Moutai and Wuliangye products will continue to solidify their leading positions in the market, maintain steady growth and increase their market shares. The baijiu of second and third tier brands will face increasing market pressure; while being positioned as mass consumption, low-end baijiu will still attract their distinctive group of consumers and maintain their market shares.

Wine and Cigarettes Businesses

During the Year under Review, the Group still considered that there would be a huge potential for the development of wine market. In 2015, the import of wine to China was approximately 550 million litres in volume, representing a year-on-year growth of approximately 44.6%; and amounted to approximately US$2,030 million, representing a year-on-year growth of approximately 34.3%. The Company will actively develop wine business. During the Year under Review, the revenue from the cigarettes business decreased as compared with the same period last year.

Business in Electronic Commerce and Image Stores

Over the years, the Group has always taken it very seriously in the exploration and transformation of sales channels. With the premise of maintaining the advantage of the traditional channels, the Group has put great efforts in catching up and actively adapting to various changes in the market. This is exemplified by the establishment of the self-operated chain store "Wine Kingdom"; the setting up of distributors and franchised stores; the proposed equity investment in Zhong Jiu Wang for the establishment of an online-offline integrated sales network in 2013 and eventually the establishment of the Group's own e-commerce website. With the rapid development of new sales channels in e-commerce and mobile internet, the business models for the baijiu industry are becoming more innovative and creative. Following the O2O interactive model which has become a new form of consumption sentiment promoter, the development of B2B business model in the liquor industry is also extremely rapid.

During the Year under Review, the Group's e-commerce business delivered strong sales growth and made greater contribution to the Group's revenue. On top of the solid cooperation relationship maintained with all the major e-commerce shopping platforms in the PRC, such as Jingdong Mall, Yihaodian, T-mall, Vip.com, Rongyigou, Shunfeng Heike, Amazon, Hunan Happigo and Anhui Jiajiamall etc., the Group has been vigorously experimenting brand new internet-based business models. The Group clearly realized traditional sales channels will evolve and integrate with internet in a brand new manner.

The Group has been maintaining a good cooperative relationship with various suppliers. The Group believes that a sound business partnership will create a win-win situation for all parties.

Outlook and Future Development

Looking ahead, with China's economy entering the "new normal", there will be consumption upgrade and reduction of production capacity in China's baijiu industry which will greatly enhance market concentration at the same time. Alongside with the increasingly stringent food safety supervision in the PRC, consumer confidence towards the quality of liquor has also increased, therefore the business environment for high and low-end baijiu will be further improved. The Group will continue to seize the opportunities, and strive to accomplish the following tasks in the future.

In respect of products, the Group will, with the premise of maintaining the existing product structure, focus on the market situations of the low, middle and high-end products, track the market changes and quickly launch suitable products in accordance with market research and data, with a view to further increase its market shares and broaden its revenue sources.

In respect of channel development, the Group will uphold its tradition of aggressive development over the coming years, and continue to lead at the forefront of the industry. More efforts will be put in the development of new channels, same as e-commerce platforms which are more adaptive to commercial customers and end consumers. The Group will also work with the existing e-commerce partners to further explore different in-depth cooperation in order to diversify its sales channels, and attract more potential consumers, enhance the market penetration of different types of products of the Group, increase the overall market shares and generate better returns for the shareholders.

In respect to operation management, the Group will continue to strengthen internal control, adopt more prudent financial management and cost control measures, further regulate the operation expenses and maintain healthy financial fundamentals in order to achieve sustainable development and reward shareholders, employees and customers for their continuous support.

FINANCIAL REVIEW

Revenue and Gross Profit

The Group generates its revenue primarily from sales of high-end liquors. For the year ended 31 March 2016, the Group recorded a total revenue of approximately HK$1,260.2 million, representing an increase of approximately 200.9% compared to a total revenue of HK$418.9 million for the year ended 31 March 2015. For the year ended 31 March 2016, approximately 43.1% of revenue was derived from the PRC market (2015: 57.8%).

The Group's revenue derived from the distribution of liquors represented approximately 99.6% of the total revenue for the year ended 31 March 2016 (2015: 95.2%) while the revenue derived from the distribution of cigarettes represented approximately 0.4% of the total revenue for the year ended 31 March 2016 (2015: 4.8%).

The Group's gross profit for the year ended 31 March 2016 was approximately HK$234.0 million (2015: HK$82.7 million). The increase in gross profit was mainly due to the significant increase in sales volume during the year. Excluding the factor of provision for inventories, the Group's gross profit for the year ended 31 March 2016 was approximately HK$251.4 million (2015: HK$104.2 million), the gross profit ratio before provision for inventories was approximately 19.9% (2015: 24.9%).

Other Income and Gains, Net

Other income and gains, net amounted to approximately HK$77.5 million for the financial year 2016 (2015: HK$1.1 million). Such increase was mainly due to the gain on the disposal of an investment property and purchase incentive from a supplier during the year.

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$180.8 million (2015: HK$180.1 million) accounting for approximately 14.3% (2015: 43.0%) of the revenue of the Group for the financial year 2016. Such slight increase was mainly due to the slight increase in promotion expenses and transportation expenses.

Administrative Expenses

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

Administrative expenses amounted to approximately HK$103.2 million (2015: HK$110.7 million) accounting for approximately 8.2% (2015: 26.4%) of the revenue of the Group for the financial year 2016. Such decrease was mainly due to the decrease in management staff salaries and wages and office rental expenses.

Write-back of Impairment, Net

Gain recorded in this account amounted to approximately HK$17.8 million (2015: HK$170.9 million) for the financial year 2016. The change was mainly due to the decrease in write-back of impairment allowances of trade receivables, bills receivable, prepayments and other receivables.

Finance Costs

Finance costs amounted to approximately HK$25.5 million (2015: HK$30.8 million) representing approximately 2.0% (2015: 7.4%) of the Group's revenue for the financial year 2016. The finance costs include interest on discounted bills, short-term bank loans and other loans. Such decrease was mainly due to the decrease in bank loan interest.

Income Tax Credit

No provision for Hong Kong profits tax has been made for the year as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. During the year ended 31 March 2015, no provision for Hong Kong profits tax had been made for the year ended 31 March 2015 as the Group did not generate any assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

After due and careful considerations, the Group revisited its tax exposure by performing a detailed assessment on the Group's Corporation Income Tax ("**CIT**") payable brought forward from prior years. After considering the low practical risk of payment, certain of the prior year's CIT provision was reversed in the current year. In the future, the Group will continue to perform regular reassessment.

Profit/(Loss) Attributable to Ordinary Equity Holders of the Company

Taking into account of the aforementioned, the profit attributable to ordinary equity holders of the Company for the year ended 31 March 2016 amounted to approximately HK$130.4 million, as compared to a loss attributable to ordinary equity holders of the Company of approximately HK$19.1 million in 2015.

Dividends and Bonus Issue of Shares

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

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2016.

In recognition of the continuous support of the shareholders of the Company, the Board proposed bonus issue of shares (the "**Bonus Issue**") on the basis of one bonus share for every two existing Shares held by qualifying shareholders, subject to, among others, approval of the relevant resolution approving the Bonus Issue by Shareholders at the extraordinary general meeting to be held on 15 July 2016 and the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the new shares to be issued pursuant to the Bonus Issue. Details of the Bonus Issue were disclosed in the announcement of the Company dated 14 June 2016.

Inventories

As at 31 March 2016, the Group's inventories was approximately HK$692.8 million (2015: HK$758.3 million). The decrease in inventories level was mainly due to the significant increase in the sales volume during the year.

Trade and Bills Receivables

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

The increase in trade receivables was mainly due to the increase in trade receivables made by the customers and short credit terms were granted by the Group to the customers. However, all of the trade receivables was settled up to the date of this announcement.

All the Group's distributors have been selected after careful and serious consideration. They generally possess extensive distribution networks, considerable financial strengths and competitive market positions. After careful assessment of the receivable balance's recoverability by taking into account of the current adverse operating environment, financial conditions of the distributors and aging of the balances, total impairment allowance in aggregate of approximately HK$197.4 million (2015: HK$212.6 million) had been made as at 31 March 2016.

As at 31 March 2016, the trade and bills receivables net of provision were approximately HK$71.3 million (2015: HK$75.8 million). Approximately 39.3% of the net trade and bills receivables were aged within two months as at 31 March 2016 (2015: 50.8%). All bills receivable were issued and accepted by banks.

The Group will continue to adopt stringent credit control policy and will apply the following measures to manage and enhance the recoverability of the Group's trade and bills receivables:

(i) close and continuous communication and cooperation between the distributors and our sales managers in strengthening the sales channels and marketing strategies of the Group, which enables clearance of their accumulated inventories and settlements to the Group; and

(ii) actively pursue cash-transaction business such as e-commerce and TV shopping.

Up to the date of this announcement, the Group's subsequent settlement of the trade and bills receivables was approximately HK$35.5 million.

Trade and Bills Payables

As at 31 March 2016, the trade and bills payables was approximately HK$625.1 million (31 March 2015: HK$3.9 million). The increase in trade and bills payables was mainly due to the addition of the bills payable during the year.

Liquidity and Financial Resources

As at 31 March 2016, the Group had cash and cash equivalents of approximately HK$300.7 million (2015: HK$170.1 million), approximately 93.2% (2015: 90.2%) of which was denominated in Renminbi ("**RMB**"), approximately 6.7% (2015: 9.7%) of which was denominated in Hong Kong dollars and approximately 0.1% (2015: 0.1%) of which was denominated in other currencies. The increase in cash and cash equivalents was mainly due to the the increase in cash generated from operating activities, proceed from disposal of an investment property and proceeds from issue of shares and bonds. As at 31 March 2016, the Group's net current assets were approximately HK$820.6 million (2015: HK$480.9 million).

Capital Structure of the Group

Total interest-bearing bank and other borrowings as at 31 March 2016 was approximately HK$222.0 million (2015: HK$453.9 million), of which all were repayable within one year and bore floating interest rate. Approximately 100.0% (2015: 94.6%) of the total interest-bearing bank and other borrowings was denominated in RMB, none (2015: 2.6%) of which was denominated in Hong Kong dollars and none (2015: 2.8%) of which was denominated in United States dollars.

During the Year under Review, the Group issued bonds with an aggregate principal amount of HK$15.0 million, before related expenses of HK$2.2 million, to certain independent individuals. The bonds bear interest at rates ranging from 6% to 7% per annum and will mature in July 2017 to December 2022. The interest will be payable by the Company annually on the anniversary of the issue date of the respective bond and up to the maturity date.

No particular seasonality trend for the borrowing requirements of the Group observed for the Year under Review.

The Group's bank loan denominated in RMB amounted to approximately HK$222.0 million bore interest at rate of 130% of PBOC per annum and would be repayable in April 2016. As at 31 March 2016, the Group's bank loan was secured by the Group's inventories with cost in aggregate of RMB250.0 million (equivalent to HK$300.0 million), and supported by corporate guarantees executed by the Company, a subsidiary of the Company and a related company of the Company.

During the Year under Review, the Company successfully placed 166,000,000 new Shares as a means to broadening the capital base of the Company. Details of the placing of Shares are disclosed under the section headed "Placing of New Shares and Use of Proceeds".

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars and RMB. Revenue derived and operating expenses incurred by the Group's subsidiaries in the PRC are mainly denominated in RMB. The Directors consider that a reasonably possible annual change of 5% in the exchange rate between Hong Kong dollars and RMB would have no material impact on the Group's results and therefore hedging through the use of derivative instruments is considered unnecessary.

The funding and treasury policies of the Group are centrally managed and controlled by the senior management in Hong Kong. The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group also ensures the availability of the bank credit facilities to address any short term funding requirements. The Group's cash and bank balances are placed with reputable financial institutions.

The Group monitors its capital using the gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, deposits received, other payables and accruals, bank advance for discounted bills, amounts due to related parties and directors and bond payables less cash and cash equivalents. Total capital represents equity attributable to the ordinary equity holders of the Company. As at 31 March 2016, the gearing ratio was approximately 50.1% (31 March 2015: 52.3%).

Employment and Remuneration Policy

The Group had a total work force of 203 employees in Hong Kong and the PRC as at 31 March 2016 (2015: 165 employees). The total salaries and related costs (including Directors' fee) amounted to approximately HK$80.8 million for the year ended 31 March 2016 (2015: HK$101.6 million). The Group has implemented the remuneration policy, bonus and share option scheme based on the achievements and performance of employees. The Group has also participated in the mandatory provident fund scheme in Hong Kong and the state managed retirement benefit scheme in the PRC. The Group continues to provide training courses for its staff to enable them to achieve self-improvement and to enhance their skill and knowledge.

Share Option Scheme

On 20 February 2009, the Company approved and adopted a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the growth of the Group. Eligible participants of the Share Option Scheme include, but not limited to, employees, Directors and any other eligible persons.

On 22 April 2015 (the "**Date of Grant**"), the Company granted share options to certain Directors, a substantial Shareholder and employees of the Group to subscribe for a total of 134,900,000 ordinary shares of HK$0.10 each in the capital of the Company under the Share Option Scheme. The exercise price is HK$1.09 per share. Details of the grant of share options, including the validity of the share options can be referred to the announcement of the Company on the Date of Grant. Accordingly, options to subscribe for a total of 574,999 shares in the Company, representing approximately 0.04% of the total number of issued shares in the Company, may still be granted under the Share Option Scheme as at the Date of Grant.

At the annual general meeting held on 21 August 2015 (the "**2015 AGM**"), the shareholders of the Company duly approved to renew the total maximum number of shares of the Company which may be issued upon the exercise of options to be granted under the Share Option Scheme to be up to 10% of the Company's issued share capital as at the date of the 2015 AGM, which amounted to 134,920,599 shares of the Company.

The Listing Committee of the Stock Exchange subsequently granted the approval for the listing of, and permission to deal in, the shares to be issued pursuant to the renewed Share Option Scheme mandate.

Since the Date of Grant and up to the date of this announcement, the number of share options to subscribe 29,300,000 shares of the Company were lapsed and no share option was exercised or cancelled. As at 31 March 2016, the number of share options outstanding of the Company was 106,200,000.

LITIGATION

In December 2013, one distributor of the Group (the "**Plaintiff**") filed a claim to a District People's Court in the PRC (the "**PRC District People's Court**") against one of the Group's subsidiaries in the PRC in relation to the Group's obligation to buy back certain inventories from the Plaintiff (the "**Claim**"). The Plaintiff demanded the purchase consideration and related compensation from the Group of RMB20.1 million (equivalent to 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 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.

At the date of approval of these financial statements, the Group and the Plaintiff are under the negotiation for the buy back arrangement of the inventories and the Group has not bought back any inventories from the Plaintiff. The directors of the Company are in the opinion that adequate provision has been made in the financial statements to cover any potential liabilities arising from the Claim.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of independent auditors' report issued by the Group's independent auditors:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2.1 to the consolidated financial statements which indicates that excluding the write-back of impairment, net of HK$17,843,000, the Company and its subsidiaries recorded a consolidated profit before tax of HK$1,956,000 during the year ended 31 March 2016, and the Company and its subsidiaries had net cash outflows used in financing activities of approximately HK$67,161,000. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company and its subsidiaries to continue as a going concern. As explained in note 2.1 to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the ability of the Company and its subsidiaries to extend their short-term borrowings upon maturity, source additional debt financing and refinance their existing indebtedness; and to improve their operation to generate adequate cash flows to meet the financial obligations of the Company and its subsidiaries as and when they fall due in the foreseeable future."

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions ("**Code Provisions**") in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange throughout the year ended 31 March 2016, except for the following deviations:

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 currently serves as the chairman and the chief executive officer of the Company. The Board believes that such arrangement is in the best interest of the Company and its shareholders as a whole since Mr. Liang has substantial experience in sales of Chinese liquor in the PRC market and will strengthen the Group's sales and marketing capabilities. Notwithstanding the above, the Board meets regularly to consider matters relating to business operations of the Group. The Board is of the view that this arrangement will not impair the balance of power and authority of the Board and the executive management of the Company. The effectiveness of corporate planning and implementation of corporate strategies and decisions will not be affected.

Under code provision C.1.2, the management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The management was late in providing the updates to all members of the Board during the period from 1 April 2015 to 30 November 2015 due to the relocation of the head office of the Company in Hong Kong. Beginning from 1 December 2015, the management has re-complied with code provision C.1.2 by providing monthly updates to the members of the Board after some improvement measures were taken. The management has undertaken to the Board that continuous timely monthly updates be provided in the future.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquires, all Directors confirmed that they had complied with the standards set out in the Model Code during the year ended 31 March 2016.

The Company has adopted written guideline, "Code for Securities Transactions by Relevant Employees", on no less exacting terms than the Model Code for securities transactions by relevant employees who are likely to be in possession of inside information of the Company.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently comprises three members, all of whom are independent non-executive Directors, namely Mr. Hung Sui Kwan, who is a qualified accountant with extensive experience in financial reporting and controls, Mr. Ma Lishan and Dr. Lee Kwok Keung Edward. Mr. Hung Sui Kwan is the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference in line with the Corporate Governance Code issued by the Stock Exchange. The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and has the authority to raise questions regarding the resignation or dismissal of the auditors, reviewing of the Group's financial information and overseeing the Group's financial reporting systems, risk management frameworks and internal control systems. The Audit Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval.

The Audit Committee has reviewed with the management, and discussed with the Company's external auditors, the consolidated financial statements of the Company for the year ended 31 March 2016 including the accounting principles and practices adopted by the Group.

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. Cheung Mei Sze. 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.

PLACING OF NEW SHARES AND USE OF PROCEEDS

On 7 August 2015, the Company raised net proceeds of approximately HK$212.0 million through the placing of 166,000,000 new shares at a price of HK$1.31 per share. The Group intends to use the net proceeds from the placing for future business development (which include expansion of distribution network, development of new products, enhancement of marketing and promotion efforts, etc.), repayment of bank loans and general working capital purposes. Details of the shares placement were disclosed in the announcements of the Company dated 27 July 2015 and 7 August 2015.

As at 31 March 2016, the net proceeds of approximately HK$212.0 million raised from the placement of Shares was utilised by the Company. The net proceeds raised from the placement of Shares were applied as to:

i. approximately 93.2% of the net proceeds or approximately HK$197.7 million for the purchase of goods for selling; and

ii. approximately 6.8% of the net proceeds or approximately HK$14.3 million for payment of operating expenses such as salaries, rental expenses and etc.

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 year ended 31 March 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**Annual General Meeting**") will be held in Hong Kong on Monday, 15 August 2016. Notice of the Annual General Meeting will be issued and despatched to the shareholders in due course.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 March 2016 (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 11 August 2016 to Monday, 15 August 2016, 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 Wednesday, 10 August 2016.

PUBLICATON OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.silverbasegroup.com). The annual report for the year ended 31 March 2016 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, 27 June 2016

As at the date of this announcement, the Board comprises Mr. Liang Guoxing (Chairman), Mr. Wang Jindong and Ms. Cheung Mei Sze as executive Directors; Mr. Wu Jie Si, Mr. Chen Sing Hung Johnny and Mr. Joseph Marian Laurence Ozorio as non-executive Directors; and Mr. Hung Sui Kwan, Mr. Ma Lishan and Mr. Lee Kwok Keung Edward as independent non-executive Directors.

This announcement is prepared in both English and Chinese. In the event of inconsistency, the English text of this announcement shall prevail over the Chinese text.