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Silver Base Group Holdings Limited

銀基集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 886)

SHARE TRANSACTION

Financial adviser to the Company



On 26 April 2018, the Purchaser entered into the Acquisition Agreement with the Vendor for the acquisition of 51% interest in Target Company, which, together with the Target Subsidiary, is principally engaged in the provision of marketing service in respect of the B2B Platform.

The consideration for the Acquisition will be satisfied by the issue of Consideration Shares to the Vendor under the General Mandate.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are less than 5%, the Acquisition constitutes share transaction of the Company under Chapter 14 of the Listing Rules.

THE ACQUISITION AGREEMENT

On 26 April 2018, the Purchaser entered into the Acquisition Agreement with the Vendor for the Acquisition. Details of the terms of the Acquisition Agreement are set out below:

Date

26 April 2018

Parties

- (1) the Vendor
- (2) the Purchaser

The Vendor is an individual. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is third party independent of the Company and its connected persons (within the meaning of the Listing Rules).

Sale interests to be acquired

Pursuant to the Acquisition Agreement, the Vendor shall sell, and the Purchaser shall acquire 51% interest in the Target Company.

Consideration

The consideration under the Acquisition Agreement shall be calculated with reference to the (i) audited gross profit of the B2B Platform generated through the sales to customers introduced by the Vendor for each Performance Period; and (ii) cumulative number of active customers trading in the B2B Platform for the Performance Period which are introduced by the Vendor, according to the formulae set out below.

Performance Period I

Consideration = P* (A + B* α + C* β)

P = Actual audited gross profit of the B2B Platform generated through the sales to customers introduced by the Vendor during Performance Period I

A = Coefficient applicable to P

B = Coefficient applicable for audited sales (inclusive of PRC value added tax) of the B2B Platform generated through the sales to customers introduced by the Vendor during Performance Period I

C = Coefficient applicable for cumulative number of active customers during Performance Period I which are introduced by the Vendor to the B2B Platform

	P < RMB1,000,000	RMB1,000,000 ≤ P < RMB3,000,000	RMB3,000,000 ≤ P < RMB6,000,000	P ≥ RMB6,000,000
A	0	0.7	1	1.4
B	0	0.5* α	0.5* α	0.5* α
C	0	0.5* β	0.5* β	0.5* β

α = 1.0 if audited sales is equal to or more than 80% of the targeted audited sales
 = 0.8 if audited sales is equal to or more than 50% of the targeted audited sales but less than 80% of the targeted audited sales
 = 0 if audited sales is less than 50% of the targeted audited sales

β = 1.0 if actual cumulative number of active customers introduced is more than 80% of the targeted cumulative number of active customers
 = 0.8 if actual cumulative number of active customers introduced is equal to or more than 50% of the targeted cumulative number of active customers but less than 80% of the targeted cumulative number of active customers
 = 0 if actual cumulative number of active customers introduced is less than 50% of the targeted cumulative number of active customers

Targeted audited sales = RMB50,000,000

Targeted cumulative number of active customers = 50

Performance Period II

Consideration = P* (A + B* α + C* β)

P = Actual audited gross profit of the B2B Platform generated through the sales to customers introduced by the Vendor during Performance Period II

A = Coefficient applicable to P

B = Coefficient applicable for audited sales (inclusive of PRC value added tax) of the B2B Platform generated through the sales to customers introduced by the Vendor during Performance Period II

C = Coefficient applicable for cumulative number of active customers during Performance Period II which are introduced by the Vendor to the B2B Platform

	P < RMB1,000,000	RMB1,000,000 \leq P < RMB3,000,000	RMB3,000,000 \leq P < RMB6,000,000	P \geq RMB6,000,000
A	0	0.7	1	1.4
B	0	0.5* α	0.5* α	0.5* α
C	0	0.5* β	0.5* β	0.5* β

α = 1.0 if audited sales is equal to or more than 80% of the targeted audited sales
 = 0.8 if audited sales is equal to or more than 50% of the targeted audited sales but less than 80% of the targeted audited sales
 = 0 if audited sales is less than 50% of the targeted audited sales

β = 1.0 if actual cumulative number of active customers introduced is more than 80% of the targeted cumulative number of active customers
 = 0.8 if actual cumulative number of active customers introduced is equal to or more than 50% of the targeted cumulative number of active customers but less than 80% of the targeted cumulative number of active customers
 = 0 if actual cumulative number of active customers introduced is less than 50% of the targeted cumulative number of active customers

Targeted audited sales = RMB100,000,000

Targeted cumulative number of active customers = 200

Performance Period III

Consideration = P* (A + B* α + C* β)

P = Actual audited gross profit of the B2B Platform generated through the sales to customers introduced by the Vendor during Performance Period III

A = Coefficient applicable to P

B = Coefficient applicable for audited sales (inclusive of PRC value added tax) of the B2B Platform generated through the sales to customers introduced by the Vendor during Performance Period III

C = Coefficient applicable for cumulative number of active customers during Performance Period III which are introduced by the Vendor to the B2B Platform

	P < RMB1,000,000	RMB1,000,000 ≤ P < RMB3,000,000	RMB3,000,000 ≤ P < RMB6,000,000	P ≥ RMB6,000,000
A	0	0.7	1	1.4
B	0	0.5* α	0.5* α	0.5* α
C	0	0.5* β	0.5* β	0.5* β

α = 1.0 if audited sales is equal to or more than 80% of the targeted audited sales
 = 0.8 if audited sales is equal to or more than 50% of the targeted audited sales but less than 80% of the targeted audited sales
 = 0 if audited sales is less than 50% of the targeted audited sales

β = 1.0 if actual cumulative number of active customers introduced is more than 80% of the targeted cumulative number of active customers
 = 0.8 if actual cumulative number of active customers introduced is equal to or more than 50% of the targeted cumulative number of active customers but less than 80% of the targeted cumulative number of active customers
 = 0 if actual cumulative number of active customers introduced is less than 50% of the targeted cumulative number of active customers

Targeted audited sales = RMB110,000,000

Targeted cumulative number of active customers = 230

Performance Period IV

$$\text{Consideration} = P * (A + B * \alpha + C * \beta)$$

P = Actual audited gross profit of the B2B Platform generated through the sales to customers introduced by the Vendor during Performance Period IV

A = Coefficient applicable to P

B = Coefficient applicable for audited sales (inclusive of PRC value added tax) of the B2B Platform generated through the sales to customers introduced by the Vendor during Performance Period IV

C = Coefficient applicable for cumulative number of active customers during Performance Period IV which are introduced by the Vendor to the B2B Platform

	P < RMB1,000,000	RMB1,000,000 ≤ P < RMB3,000,000	RMB3,000,000 ≤ P < RMB6,000,000	P ≥ RMB6,000,000
A	0	0.7	1	1.4
B	0	0.5*α	0.5*α	0.5*α
C	0	0.5*β	0.5*β	0.5*β

α = 1.0 if audited sales is equal to or more than 80% of the targeted audited sales
 = 0.8 if audited sales is equal to or more than 50% of the targeted audited sales but less than 80% of the targeted audited sales
 = 0 if audited sales is less than 50% of the targeted audited sales

β = 1.0 if actual cumulative number of active customers introduced is more than 80% of the targeted cumulative number of active customers
 = 0.8 if actual cumulative number of active customers introduced is equal to or more than 50% of the targeted cumulative number of active customers but less than 80% of the targeted cumulative number of active customers
 = 0 if actual cumulative number of active customers introduced is less than 50% of the targeted cumulative number of active customers

Targeted audited sales = RMB76,500,000

Targeted cumulative number of active customers = 250

Maximum total consideration and total number of Consideration Shares and time of allotment

Notwithstanding the formulae set out above, the total consideration and the total number of Consideration Shares are subject to the caps below, which have been agreed between the Group and the Vendor after arm's length negotiations with reference to (i) the valuation of 51% equity interest of Target Company and the business to be generated from sales to customers introduced by the Vendor (the "**Obligated Business**") as at 28 February 2018 which is amounted to approximately RMB19 million in aggregate ("**Valuation**"); and (ii) the Vendor's confidence in the Shares price performance:

Maximum total consideration RMB 18,000,000

Maximum total number of Consideration Shares to be issued 12,000,000 Shares

The Consideration Shares shall be allotted and issued to the Vendor in four batches:

- (i) the Consideration Shares for Performance Period I shall be issued on the Completion Date;
- (ii) the Consideration Shares for Performance Period II shall be issued on the 40th business day after the publication of the annual results announcement of the Company for FY2019;
- (iii) the Consideration Shares for Performance Period III shall be issued on the 40th business day after the publication of the annual results announcement of the Company for FY2020; and
- (iv) the Consideration Shares for Performance Period IV shall be issued on the 40th business day after the publication of the annual results announcement of the Company for FY2021.

The issue price of Consideration Shares and for each batch of Consideration Shares to be issued shall be the higher of:

- (i) the average closing price of the Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and excluding the date of the Acquisition Agreement;
- (ii) 90% of the average closing price of the Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and excluding the date of announcement of the annual results of the Company for the relevant financial year (that is, for the first, the second, the third and the fourth batch Consideration Shares, the relevant annual results announcement shall be that of FY2018, FY2019, FY2020 and FY2021, respectively); and
- (iii) the nominal value of each Share.

Completion

Completion of the Acquisition Agreement is conditional upon the fulfilment and/or waiver of the following conditions precedent:

- (1) the Purchaser having satisfied with the results of the due diligence on the Target Group and the gross profit of the B2B Platform for the Performance Period I generated from sales introduced by the Vendor having reached RMB1,000,000;
- (2) the Stock Exchange agreeing to grant a listing of and permission to deal in the Consideration Shares;
- (3) the Vendor having delivered the audited consolidated account of the Target Company in respect of the Performance Period I to the Purchaser within four months after the end of the Performance Period I; and
- (4) there shall not be any material breach of the Vendor's representations, warranties or undertakings under the Acquisition Agreement.

All of the conditions precedent (except the condition set out in paragraph (2) above) can be waived by the Purchaser.

If all of the conditions precedent have not been satisfied (or waived) on or before the Long Stop Date, then the relevant Acquisition Agreement shall automatically terminate. In such event, none of the parties shall have any claim under the Acquisition Agreement of any nature whatsoever against any other parties except in respect of any rights and liabilities which have accrued before termination.

Completion shall take place on the Completion Date.

Restrictions on disposals of Consideration Shares by the Vendor

Under the Acquisition Agreement, the Vendor undertakes to the Purchaser that it will not and will procure that the relevant registered holder(s) will not at any time within 12 months from the date of allotment of the relevant batch of Consideration Shares, dispose of, nor enter into any agreement to dispose of any of such Consideration Shares or create any encumbrances thereon.

Right of first refusal

Under the Acquisition Agreement, the Vendor undertakes that should he intend to dispose of the remaining interest in the Target Company after Completion, he shall notify the Purchaser in writing of the proposed sale setting out all the terms thereof and identity of the proposed transferee. The Purchaser shall have the right to purchase the interest on terms no less favourable than terms offered to the proposed transferee by replying to the Vendor within 14 days of receipt of the notice.

Non-competition

Under the Acquisition Agreement, the Vendor undertakes that from the date of the Acquisition Agreement to the later of (i) the date of which the Vendor or his associates ceases to hold any interest in the Target Company; or (ii) 5 years after the Completion Date, he shall not:

- (i) directly or indirectly, by way of on-line and/or offline, market, sell or distribute any Products to the customers that the Vendor introduced to the B2B Platform;
- (ii) solicit any employees of the Group for employment by it or its associates; or
- (iii) make use of any information pertaining to the Group for the purpose of competing with the business of the Group and/or the Target Group.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after the issued and allotment of all Consideration Shares, on the assumption that the Target Group achieved or exceeded all the performance targets assigned by the Purchaser and that there are no other changes in the share capital of the Company other than the issue of the Consideration Shares.

Name of Shareholder	Shareholding as at the date of this announcement		Shareholding immediately after the issued and allotment of all Consideration Shares	
	Number of Shares	% of Shareholding (approximate)	Number of Shares	% of Shareholding (approximate)
Yinji Investments Limited (Note 1)	720,318,750	31.69	720,318,750	31.53
Keen Pearl Limited (Note 2)	275,895,000	12.14	275,895,000	12.07
Liu Yang	319,049,000	14.04	319,049,000	13.96
Public shareholders	957,546,196	42.13	957,546,196	41.91
Vendor	–	–	12,000,000	0.53
	<u>2,272,808,946</u>	<u>100.00</u>	<u>2,284,808,946</u>	<u>100.00</u>

Notes:

- (1) The entire issued share capital of Yinji Investments Limited is beneficially owned by Grand Base Holdings Limited, a company incorporated in the British Virgin Islands and indirectly owned by a discretionary trust, the beneficiaries of which are Mr. Liang, Ms. Luo Li (the spouse of Mr. Liang) and Miss Liang Gia Li Melody (the daughter of Mr. Liang). HSBC International Trustee Limited is deemed to be interested in the Shares in the capacity of a trustee of the discretionary trust as aforementioned.
- (2) Keen Pearl Limited is a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned by Mr. Liang.
- (3) Based on the latest DI Form filed by Ms. Liu on 10 October 2017, Ms. Liu Yang is deemed to be interest in 319,049,000 Shares through Atlantis Capital Holdings Limited and Riverwood Asset Management (Cayman) Limited, in the capacity of investment manager by virtue of Divisions 2 and 3 of Part XV of the SFO. The entire issued share capital of Atlantis Capital Holdings Limited and Riverwood Asset Management (Cayman) Limited is owned by Ms. Liu Yang.

INFORMATION ON TARGET COMPANY

Set out below are the information of the Target Company:

Target Company

Target Company is a limited company incorporated in Hong Kong on 15 December 2017 having an issued share capital of HK\$500,000 which is the holding company of Target Subsidiary and wholly and beneficially owned by the Vendor.

Target Subsidiary was established in the PRC on 19 March 2018 and is principally engaged in the provision of marketing services in respect of the B2B Platform.

Set out below is the unaudited financial information of the Target Company for the period from 15 December 2017 (being the date of Target Company's incorporation) to 31 March 2018 and prepared in accordance with Hong Kong Financial Reporting Standards:

	For the period from 15 December 2017 (being the date of incorporation of the Target Company) to 31 March 2018
	<i>HK\$</i>
Loss before tax	12,268
Loss after tax	12,268
	As at 31 March 2018
	<i>HK\$</i>
Net assets	487,732

VALUATION

The Valuation was prepared based on the discounted cash flow method. In this respect, the Valuation constitute profit forecast for the purpose of Rule 14.61 of the Listing Rules.

For the purpose of complying with the Listing Rules, set out below are the principal assumptions upon which the Valuation is based on:

Valuation

The major assumptions adopted in the appraisal are:

- There will be no major changes in the existing political, legal, fiscal and economic conditions in the PRC in which Target Company and the Obligated Business carry on their businesses;
- There will be no major changes in the current taxation law in the PRC where Target Company and the Obligated Business operate, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;
- Exchange rates and interest rates will not differ materially from those presently prevailing;
- There will be no material changes in the industries in which Target Company and the Obligated Business involve that would materially affect the revenues, profits, cash flows attributable to the businesses;
- Target Company and the Obligated Business can keep abreast of the latest development of the industries such that their competitiveness and profitability can be sustained;
- Target Company and the Obligated Business will successfully maintain their competitiveness and market shares through optimizing the utilization of their resources and expanding their marketing network;
- Target Company and the Obligated Business will utilize and maintain their current operational, administrative and technical facilities to expand and increase their sales;
- The availability of finance will not be a constraint on the forecasted growth of operations of Target Company and the Obligated Business;
- Target Company and the Obligated Business will be able to secure funds to repay the debts when they fall due;

- Target Company and the Obligated Business will retain and have competent management, key personnel, and technical staff to support their ongoing operations;
- Industry trends and market conditions for related industries will not deviate materially from economic forecasts;
- The financial projection has been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration by the management of the Company; and
- Target Company and the Obligated Business have obtained and will obtain all necessary permits, license, certificates and approvals to carry out their businesses.

The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

Name	Qualification
Grant Sherman	Independent valuer
Gram Capital	Financial adviser
Ascenda Cachet	Certified public accountants

As at the date of this announcement, each of Grant Sherman, Gram Capital and Ascenda Cachet does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Each of Grant Sherman, Gram Capital and Ascenda Cachet has given and has not withdrawn its consent to the publication of this announcement with inclusion of its opinion and advice and all references to its name in the form and context in which it appears in this announcement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in 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, foreign liquor series, sugar and Chinese cigarettes.

The B2B Platform was launched in May 2016 and substantially reduced various layers in the sales chain of the groups products. It has achieved the aim of direct sales to retail operators. The B2B Platform also solved problems associated with the baijiu sales model including excessive procedures, layered pricing and low efficiency.

The Vendor has been engaging the alcohol industry in Huzhou (Zhejiang Province, the PRC) regional market over years. He has extensive supplier resources and customer base of high-end alcohol. The Vendor could introduce new quality products and customers to the B2B Platform, and hence generates new sales volume and profits for the Group. The Vendor could also help the Group developing sales network in the Huzhou (Zhejiang Province, the PRC) regional market.

The Board considers that the Acquisition could provide incentive for the Vendor to boost up the sales and number of customers on the B2B Platform, and at the same time acquire interest in the Target Company without affecting the cash flow of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are less than 5%, the Acquisition constitutes share transaction of the Company under Chapter 14 of the Listing Rules.

The Company is authorised to allot and issue up to 454,561,789 new Shares under the General Mandate granted by the Shareholders at the annual general meeting of the Company held on 18 August 2017. Up to the date of this announcement, the Company has not utilised the General Mandate. As the Consideration Shares will be issued under the General Mandate, the allotment and issue of the Consideration Shares is not subject to Shareholders' approval.

Application will be made to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Ascenda Cachet”	Ascenda Cachet CPA Limited, a professional firm of Certified Public Accountants
“Acquisition”	the acquisition of 51% of issued share capital of the Target Company by the Purchaser from the Vendor
“Acquisition Agreement”	a sale and purchase agreement entered into between the Purchaser and the Vendor on 26 April 2018 in connection with the Acquisition
“Actual Business Commencement Date”	the date on which the Vendor commences the provision of marketing and customer induction services in respect of the B2B Platform
“B2B Platform”	the business-to-business cloud partnership platform – “Wine Kingdom. Cloud Partnership” B2B Platform established by the Group
“Board”	board of Directors
“Company”	Silver Base Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	the 30th business day after the fulfillment of the following conditions: (i) publication of the results announcement of the Company in respect of FY2018; and (ii) fulfillment or waiver of all the conditions precedent to the relevant Acquisition Agreement; or such other date as shall be agreed between the parties to the relevant Acquisition Agreement in writing
“Consideration Shares”	up to a total of 12,000,000 new Shares to be allotted and issued to the Vendor under the Acquisition Agreement
“Directors”	the directors of the Company

“FY2018”	the financial year ended 31 March 2018
“FY2019”	the financial year ending 31 March 2019
“FY2020”	the financial year ending 31 March 2020
“FY2021”	the financial year ending 31 March 2021
“General Mandate”	the general mandate granted to the Directors to allot, issue and deal in not more than 454,561,789 new Shares by the Shareholders at the annual general meeting of the Company held on 18 August 2017
“Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
“Grant Sherman”	Grant Sherman Appraisal Limited
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2018 or such other date as shall be agreed between the parties to the Acquisition Agreement
“Mr. Liang”	Mr. Liang Guoxing, the Chairman of the Company and an executive Director
“Performance Periods”	the Performance Period I, the Performance Period II, the Performance Period III and the Performance Period IV and each, a “Performance Period”
“Performance Period I”	the period from the Actual Business Commencement Date to 31 March 2018
“Performance Period II”	the period from 1 April 2018 to 31 March 2019
“Performance Period III”	the period from 1 April 2019 to 31 March 2020

“Performance Period IV”	the period from 1 April 2020 to the day immediately preceding the 4th anniversary of the Actual Business Commencement Date
“PRC”	People’s Republic of China
“Products”	products designated by the Purchaser for sale on the B2B Platform or by the Group from time to time
“Purchaser”	Silver Base Healthcare Products Investment Company Limited, a company incorporated in Hong Kong which is an indirectly wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	HongKong Hongrun Investment Development Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by the Vendor
“Target Group”	Target Company and Target Subsidiary
“Target Subsidiary”	湖州宏潤企業管理諮詢有限公司 (Huzhou Enterprise Management and Consultancy Limited*), a wholly-owned subsidiary established by Target Company in the PRC
“Vendor”	陳小龍 (Mr. Chen Xiaolong*)
“%”	per cent.

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

Hong Kong, 26 April 2018

As at the date of this announcement, the Board comprises Mr. Liang Guoxing (Chairman), Mr. Yan Jun (Chief Executive Officer), Ms. Chen Xiaoxu as executive Directors; Mr. Wu Jie Si and Mr. Chen Sing Hung Johnny as non-executive Directors; Mr. Hung Sui Kwan, Mr. Ma Lishan and Mr. Lee Kwok Keung Edward as independent non-executive Directors.

* For identification purpose only

APPENDIX I – LETTER FROM GRAM CAPITAL

The following is the text of the letter dated 26 April 2018 from Gram Capital, for the purpose of incorporation in this announcement.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

26 April 2018

The Board of Directors
Silver Base Group Holdings Limited
1802-03, 18th Floor
Far East Finance Centre
16 Harcourt Road
Hong Kong

Dear Sir/ Madam,

Reference is made to the announcement of Silver Base Group Holdings Limited (the “**Company**”) dated 26 April 2018 (the “**Announcement**”) and the valuation report (the “**Valuation Report**”) dated 26 April 2018 and prepared by Grant Sherman Appraisal Limited (the “**Valuer**”) in relation to the valuation on the 51% equity interest of Target Company and the business to be generated from sales to customers introduced by the Vendor as at 28 February 2018 (i.e. the Valuation). Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

According to the Valuation Report, the Valuation was prepared based on the discounted cash flow method. In this respect, the Valuation constitutes profit forecast (the “**Profit Forecast**”) for the purpose of Rule 14.61 of the Listing Rules.

We discussed with the management of the Company and the Valuer regarding the bases and assumptions of the Valuation Report, and reviewed the letter dated 26 April 2018 issued by Ascenda Cachet CPA Limited, the auditor of the Company, as set out in Appendix II to the Announcement. Ascenda Cachet CPA Limited is of the opinion that, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Announcement and are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group.

On the basis of the foregoing and the calculations reviewed by Ascenda Cachet CPA Limited, we are of the opinion that the Profit Forecast underlying the Valuation Report, for which the Directors are jointly and severally responsible, has been made after due care and enquiry.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

APPENDIX II – LETTER FROM ASCENDA CACHET

The following is the text of the letter dated 26 April 2018 from Ascenda Cachet, for the purpose of incorporation in this announcement.

26 April 2018

The Board of Directors
Silver Base Group Holdings Limited
Room 1802-03, 18th Floor,
Far East Finance Centre,
16 Harcourt Road, Hong Kong.

Dear Sirs,

Re: Silver Base Group Holdings Limited and its subsidiaries (the “Group”)

Introduction

Reference is made to the announcement of the Company dated 26 April 2018 (the “**Announcement**”). Terms used in this letter shall have the same meanings as defined in the Announcement unless the context requires otherwise.

According to the Announcement, the total consideration and the total number of Consideration Shares are subject to caps which have been agreed between the Group and the Vendor after arm’s length negotiations with reference to, among others, the Valuation as at 28 February 2018 amounting to approximately RMB19 million in aggregate.

The Valuation was prepared based on the discounted cash flow method. In this respect, the Valuation constitutes profit forecast (the “**Profit Forecast**”) for the purpose of Rule 14.61 of the Listing Rules.

Directors’ Responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the preparation of the Profit Forecast in accordance with the bases and assumptions determined by the Directors and set out in the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the Profit Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Directors have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the Directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group.

Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast have been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Announcement and are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group.

Other matters

Furthermore, the Profit Forecast are based on estimation of future transactions and cash flows and other assumptions about the future. Actual cash flows are likely to be different from those estimated or forecast since anticipated events frequently do not occur as expected and unforeseen events may arise, and their impact on estimates and forecasts may be material.

We make no representation regarding the sufficiency for your purposes of the aforementioned procedures.

Yours faithfully,

ASCENDA CACHET CPA LIMITED
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number: P03723
Hong Kong