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## **Silver Base Group Holdings Limited**

**銀基集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 886)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011**

#### **FINANCIAL HIGHLIGHTS**

- Revenue was approximately HK\$2,217.4 million
- Gross profit was approximately HK\$1,021.5 million
- Profit for the year attributable to ordinary equity holders was approximately HK\$585.3 million
- Earnings per share was approximately HK\$0.4918
- The Board has resolved to recommend a final dividend of HK\$0.319 per ordinary share for the year ended 31 March 2011

## RESULTS

The board (the “Board”) of directors (the “Directors”) of Silver Base Group Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2011, together with the comparative figures for the previous year in 2010, as follows:

### Consolidated Income Statement

Year ended 31 March 2011

	Notes	2011 HK\$'000	2010 HK\$'000
<b>REVENUE</b>	5	<b>2,217,382</b>	1,319,089
Cost of sales		<u>(1,195,929)</u>	<u>(696,041)</u>
Gross profit		<b>1,021,453</b>	623,048
Other income and gains	5	<b>3,770</b>	31,466
Selling and distribution expenses		<b>(202,961)</b>	(116,982)
Administrative expenses		<b>(67,272)</b>	(53,046)
Other expenses		<u>–</u>	<u>(900)</u>
<b>PROFIT BEFORE TAX</b>	6	<b>754,990</b>	483,586
Income tax expense	7	<u>(169,698)</u>	<u>(87,437)</u>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<b><u>585,292</u></b>	<b><u>396,149</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9		
Basic and diluted (HK cents)		<b><u>49.18</u></b>	<b><u>33.18</u></b>

\* Details of the dividends are disclosed in note 8.

**Consolidated Statement of Comprehensive Income**  
*Year ended 31 March 2011*

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>585,292</b>	396,149
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translation of foreign operations	<u>46,595</u>	<u>1,348</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<b><u>631,887</u></b>	<b><u>397,497</u></b>

**Consolidated Statement of Financial Position**

31 March 2011

	<i>Notes</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>11,222</b>	8,391
Investment property		<b>7,548</b>	7,757
Intangible asset		<b>7,400</b>	7,400
Deposits		<b>2,772</b>	–
Total non-current assets		<b>28,942</b>	23,548
<b>CURRENT ASSETS</b>			
Inventories		<b>480,266</b>	314,590
Trade and bills receivables	10	<b>711,016</b>	43,282
Prepayments, deposits and other receivables		<b>440,014</b>	287,873
Tax recoverable		<b>962</b>	–
Cash and bank balances		<b>339,282</b>	977,748
Total current assets		<b>1,971,540</b>	1,623,493
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>528</b>	27,072
Deposits received, other payables and accruals		<b>159,300</b>	39,631
Interest-bearing bank borrowings		<b>62,899</b>	96,782
Tax payable		<b>127,095</b>	43,732
Total current liabilities		<b>349,822</b>	207,217
<b>NET CURRENT ASSETS</b>		<b>1,621,718</b>	1,416,276
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,650,660</b>	1,439,824
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>459</b>	250
Net assets		<b>1,650,201</b>	1,439,574
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company</b>			
Issued capital		<b>119,000</b>	119,000
Reserves		<b>1,531,201</b>	1,320,574
Total equity		<b>1,650,201</b>	1,439,574

*Notes:*

## **1. CORPORATE 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 27th Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong.

The Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 April 2009 (the "Listing").

The Group is principally engaged in the distribution of Wuliangye (五糧液) Liquor Series, other liquor products, red wine and Chinese cigarettes.

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is Yinji Investments Limited, which was incorporated in the British Virgin Islands.

## **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. These financial statements have been prepared under the historical cost convention. They are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2011. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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 retained profits, as appropriate.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification on Right Issue</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
HKFRS 5 Amendments included in <i>Improvements to HKFRSs issued in October 2008</i>	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
<i>Improvements to HKFRSs 2009</i>	<i>Amendments to a number of HKFRSs issued in May 2009</i>
HK Interpretation 4 Amendment	<i>Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK Interpretation 5	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>

The adoption of the new and revised HKFRSs has had no significant financial effect on these 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 and other liquor products (“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 profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income and other gains are excluded from such measurement.

**Year ended 31 March 2011**

	<b>Liquors</b> <i>HK\$'000</i>	<b>Cigarettes</b> <i>HK\$'000</i>	<b>Property</b> <b>Investment</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Segment revenue:</b>				
Sales to external customers	2,148,445	68,937	–	2,217,382
Other revenue	–	–	42	42
	<hr/>	<hr/>	<hr/>	<hr/>
Total	2,148,445	68,937	42	2,217,424
				<hr/> <hr/>
<b>Segment results</b>	<b>746,153</b>	<b>7,554</b>	<b>(235)</b>	<b>753,472</b>
<b>Reconciliation:</b>				
Interest income				1,460
Other gains				58
				<hr/>
Profit before tax				754,990
				<hr/> <hr/>
<b>Other segment information:</b>				
Depreciation	3,101	110	209	3,420
Capital expenditure*	5,187	330	424	5,941
Reversal of write-down of inventories to net realisable value	–	(1,535)	–	(1,535)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Year ended 31 March 2010

	<b>Liquors</b> <i>HK\$'000</i>	<b>Cigarettes</b> <i>HK\$'000</i>	<b>Property</b> <b>Investment</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Segment revenue:</b>				
Sales to external customers	1,264,310	54,779	–	1,319,089
Other revenue	–	–	42	42
	<u>1,264,310</u>	<u>54,779</u>	<u>42</u>	<u>1,319,131</u>
Total	1,264,310	54,779	42	<u>1,319,131</u>
<b>Segment results</b>				
	475,931	7,026	(222)	482,735
<b>Reconciliation:</b>				
Interest income				786
Other gains				65
				<u>483,586</u>
Profit before tax				<u>483,586</u>
<b>Other segment information:</b>				
Depreciation	1,671	39	209	1,919
Capital expenditure*	6,037	168	–	6,205
Reversal of write-down of inventories to net realisable value	–	(1,672)	–	(1,672)
	<u>–</u>	<u>(1,672)</u>	<u>–</u>	<u>(1,672)</u>

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



## Geographical information

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	South-east Asian countries <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2011</b>					
Revenue from external customers*	<u>745,322</u>	<u>1,455,579</u>	<u>13,622</u>	<u>2,859</u>	<u>2,217,382</u>
Non-current assets**	<u>23,739</u>	<u>5,203</u>	<u>-</u>	<u>-</u>	<u>28,942</u>
<b>Year ended 31 March 2010</b>					
Revenue from external customers*	<u>723,397</u>	<u>582,818</u>	<u>9,010</u>	<u>3,864</u>	<u>1,319,089</u>
Non-current assets**	<u>21,218</u>	<u>2,330</u>	<u>-</u>	<u>-</u>	<u>23,548</u>

\* The revenue information is based on the location of the customers.

\*\* The non-current asset information is based on the location of the assets.

### Information about major customers

Revenues from three major customers of approximately HK\$338,127,000 (2010: Nil), HK\$322,487,000 (2010: HK\$706,308,000) and HK\$249,933,000 (2010: HK\$41,926,000) respectively for the year ended 31 March 2011 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.

During the prior year, revenue of approximately HK\$706,308,000 was derived from sales by the Liquors segment and the Cigarettes segment to a single customer, including sales to two entities which were known to be under common control of that customer.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of other income and gains is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Bank interest income	1,460	786
Gross rental income	42	42
Foreign exchange differences, net	675	1,239
Reversal of write-down of inventories to net realisable value	1,535	1,672
Income from a supplier	–	27,662
Others	58	65
	<u>3,770</u>	<u>31,466</u>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Cost of inventories sold	1,195,929	696,041
Depreciation:		
Property, plant and equipment	3,211	1,710
Investment property	209	209
	<u>3,420</u>	<u>1,919</u>
Impairment of an intangible asset*	–	900
Minimum lease payments under operating leases	22,630	15,319
Loss on disposal of items of property, plant and equipment	11	–
Auditors' remuneration	1,630	1,850
Employee benefit expense (including directors' remuneration):		
Wages and salaries	104,799	79,427
Pension scheme contributions	4,026	1,457
	<u>108,825</u>	<u>80,884</u>
Direct operating expenses (including repairs and maintenance) arising on a rental-earning investment property	<u>68</u>	<u>55</u>

\* The impairment of an intangible asset was included in "Other expenses" in the consolidated income statement.

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Group		
Current – Hong Kong		
Charge for the year	<b>43,109</b>	57,968
Underprovision in prior years	<b>794</b>	222
Current – Elsewhere	<b>125,586</b>	28,997
Deferred	<b>209</b>	250
	<hr/>	<hr/>
Total tax charge for the year	<b>169,698</b>	87,437
	<hr/> <hr/>	<hr/> <hr/>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit before tax	<b>754,990</b>	483,586
	<hr/> <hr/>	<hr/> <hr/>
Tax at the statutory tax rate	<b>124,573</b>	79,792
Difference in tax rates enacted by local authorities	<b>38,418</b>	4,887
Adjustments in respect of current tax of previous periods	<b>794</b>	222
Income not subject to tax	<b>(2)</b>	(482)
Expenses not deductible for tax	<b>1,609</b>	2,543
Tax losses not recognised	<b>4,306</b>	475
	<hr/>	<hr/>
Tax charge at the effective rate	<b>169,698</b>	87,437
	<hr/> <hr/>	<hr/> <hr/>

## 8. DIVIDENDS

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Dividend paid during the year:</b>		
Final dividend for 2010: HK\$0.185 per ordinary share	<b>220,150</b>	–
Interim dividend: HK\$0.169 (2010: HK\$0.142) per ordinary share	<b>201,110</b>	170,400
	<b>421,260</b>	170,400
<b>Dividend proposed:</b>		
Final dividend: HK\$0.319 (2010: HK\$0.185) per ordinary share	<b>379,610</b>	220,150

The proposed final dividend for the year ended 31 March 2011 is subject to the approval of the shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting. The financial statements do not reflect the final dividend payable.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$585,292,000 (2010: HK\$396,149,000), and the number of ordinary shares of 1,190,000,000 (2010: weighted average number of ordinary shares of 1,193,936,000).

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 March 2010 had taken into account 3,800,000 ordinary shares in issue, 896,200,000 ordinary shares issued during the prior year pursuant to the capitalisation issue as if the shares had been in issue throughout the prior year, 300,000,000 ordinary shares issued during the prior year in connection with the Listing and 10,000,000 ordinary shares repurchased during the prior year.

The Group had no potentially dilutive ordinary shares in issue during those years.

## 10. TRADE AND BILLS RECEIVABLES

	<b>Group</b>	
	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade receivables	<b>470,349</b>	18,053
Bills receivable	<b>240,667</b>	25,229
	<b>711,016</b>	43,282

The Group normally allows a credit period of not more than 90 days to its customers except for certain identified major customers where longer credit terms may be granted upon approval by the credit control team and management. The credit terms of bills receivable are generally 60 to 180 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Over 54% (2010: 37%) of the total trade receivables balance represented receivables from five customers. 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, is as follows:

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within 2 months	<b>655,497</b>	38,618
2 to 6 months	<b>32,692</b>	4,596
6 months to 1 year	<b>22,786</b>	7
Over 1 year	<b>41</b>	61
	<u><b>711,016</b></u>	<u>43,282</u>

#### **11. TRADE PAYABLES**

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

	<b>Group</b>	
	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within 1 month	<b>513</b>	27,069
Over 3 months	<b>15</b>	3
	<u><b>528</b></u>	<u>27,072</u>

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

## **BUSINESS REVIEW AND PROSPECTS**

### **Overview**

For the year ended 31 March 2011, the Group recorded a total revenue of approximately HK\$2,217.4 million (2010: approximately HK\$1,319.1 million), representing an increase of approximately 68.1% compared to last year. The overall gross profit of the Group was approximately HK\$1,021.5 million (2010: approximately HK\$623.0 million), representing an increase of approximately 63.9% compared to last year. The profit attributable to ordinary equity holders of the Company increased by approximately 47.7% to approximately HK\$585.3 million (2010: approximately HK\$396.1 million). Basic earning per share were HK\$0.4918 (2010: HK\$0.3318). Gross profit margin and net profit margin were approximately 46.1% and 26.4% respectively (2010: approximately 47.2% and 30.0% respectively).

Revenue derived from the PRC market accounted for approximately 65.6% (2010: approximately 44.2%) of the Group's total revenue for the year ended 31 March 2011 while revenue derived from the international market accounted for approximately 34.4% (2010: approximately 55.8%) of the Group's total revenue. This shows that the PRC market has gradually become the primary market of the Group.

### **Baijiu Business**

The Chinese baijiu market experienced strong growth in 2010, particularly the high-end and premium baijiu markets, which resulted in shortage of supply and surging prices. In 2010, prices for the Group's premium baijiu Wuliangye Liquor Series products raised by 15%-20% on average with strong sales remained. As the Group's baijiu product offerings become more diversified, the revenue proportion of Wuliangye Liquor Series products has decreased. For the year ended 31 March 2011, sales of Wuliangye Liquor Series products accounted for 73.1% of the Group's revenue.

In March 2010, the Group obtained the 15-year global exclusive distribution rights for Yongfu Jiangjiu, a "soy flavor type" of Chinese baijiu under Wuliangye Group. In September 2010, the top-end product of Yongfu Jiangjiu Series "Laojiang" was officially launched. According to the announcement by Wuliangye Group, the maximum annual production capacity of Yongfu Jiangjiu is up to 27,000 tons. As its global exclusive distributor, the Group has sufficient supply which can provide a solid foundation for future sales growth. Yongfu Jiangjiu is also a strategic product of Wuliangye Group, possessing characteristics of high-born, authentic vintage liquor. Promoted by its primetime television advertisement on China Central Television (CCTV) by Wuliangye Group and supported by further expansion of the Group's distribution network, Yongfu Jiangjiu received overwhelming response and has been highly appreciated by the market. Currently, the Group has launched the 10-year Jiangjiu and Laojiang of Yongfu Jiangjiu Series, and is actively developing new sales channels. It is expected that Yongfu Jiangjiu is able to achieve its preset yearly sales target.

In March 2010, the Group obtained the 10-year sole distribution rights in the PRC for National Cellar 1573 baijiu with 43% alcohol content. The product was launched in September 2010 and has since been met with wide acclaims. Luzhou Laojiao Co., Ltd. (“Luzhou Laojiao”) is one of the top ten baijiu brewing groups in the PRC. Luzhou Laojiao is highly impressed by the Group’s accomplishments in sales and marketing strategies, promotion activities and channel development. As a result, the Group was awarded “The Best Strategic Partner” for 2010 by Luzhou Laojiao.

In September 2010, the Group successfully obtained distribution rights of Guizhou Yaxi baijiu series with 38% and 52% alcohol content. As a high quality mid-end baijiu, Yaxi baijiu product offers a mixed flavor that is rarely seen among baijiu liquor, making it a highly recognised brand in the market. Currently, the Group has commenced works to build up customer base for Yaxi baijiu series. With expanded production capacity and increased production volume, the Group will be able to accelerate its pace in entering the mid-end baijiu market.

Moreover, the Group entered into a distribution agreement with Shanxi Xinghuacun Fen Wine Sales Co., Ltd. in May 2011 and became the sole worldwide distributor of the 40-year Qinghua Fen Wine with 55% alcohol content and the Classic Guocang Fen Wine with 55% alcohol content. Launch of these products will further enrich the Group’s baijiu product portfolio and consolidate its leading position in the PRC baijiu market.

### **Foreign Liquor Business**

The PRC is now one of the major wine markets in the world. As the spending power and living standard of Chinese citizens increase, market demand for wines is on the rise. There is enormous growth potential in foreign liquor market in the PRC. Owing to the vast amount of foreign liquor products in the PRC, the Group adjusted its product strategies in response to market demand and defined a clear market positioning. With the efforts of the professional foreign liquor division, the Group will seize market trends to determine its product and sales strategies to fulfill the needs of specific customer groups.

Last year, the Group continued to build up partnerships with a number of famous chateaus in France, their agencies and wine producers from other countries, and established a high quality customer base. Supported by a market with great potential and the Group’s new product strategies, it is expected that foreign liquor products will be another strong growth driver for the Group.

### **Image Chained-Store and E-Commerce Business**

To further expand the liquor business, the Group continued to deepen its sales channels during the year by establishing offices in various provinces and cities in the PRC, in order to strengthen sales services and management of sales channels. Moreover, the Group continued to establish and strengthen the image store network in the PRC by opening self-owned operation Wine Kingdom in most of the first-tier to third-tier cities in the PRC. It targets at serving the vast and expanding high-end corporate and group

purchase market to form a nationwide chained sales platform. Meanwhile, the Group has authorised distributors in various provinces and cities to open specialty stores for Wuliangye with 68% and 45% alcohol content, in order to strengthen consumers' confidence on product quality and enhance market recognition. As at 31 March 2011, the Group has opened more than 250 Wine Kingdom and Wuliangye image stores.

In order to further expand sales channels and promptly respond to market demand, the Group has established an e-commerce team to speed up the development of the e-commerce platform. To cater to the related logistics demands for e-commerce, the Group plans to make use of the Wine Kingdom image store network as product delivery and logistics platform for its e-commerce business. The e-commerce platform is expected to commence operation in the fourth quarter of 2011, which creates synergy with the Group's image store network to further strengthen sales of the Group.

### **Prospects**

Looking ahead, demand for high-end Chinese baijiu and market shares of jiangjiu will continue to grow. As a premium baijiu product in the market, Wuliangye will benefit from its strong market recognition and customer loyalty, resulting in significant growth in sales. The Group will devote its efforts to promote the Yongfu Jiangjiu Series and to make it as one of its major strategic products and growth drivers in the future. In addition, the Group will continue to promote other high-end and premium baijiu products, including the newly signed Shanxi Xinghuacun Fen Wine. It will also seize business opportunities for foreign liquor in the PRC and develop product and sales strategies that correspond to market trends, so as to achieve diversified product portfolio and increase source of income.

To penetrate the business into the PRC and to meet consumer demands in different regions, the Group will actively promote and penetrate into downward sales and marketing system. It will further develop city-level marketing units into country-level units in the coming two to three years. It will also expand its low-end to mid-end product lines to cater to diversified customers' demands from the mass market. The Group will also actively increase the number of Wine Kingdom image stores, Wuliangye image stores and National Cellar 1573 image stores to improve penetration and operational efficiency of its sales and marketing network in cities and towns in the PRC.

To achieve product diversification and enrich product structure, the Group will continue to look for new business opportunities and actively develop new products to expand source of income. The Group will continue to maintain the stability of cigarette business and increase sales proportion of its non-alcoholic beverages business.



In the future, the Group will seize opportunities to penetrate into upstream and downstream business chains. We strive to develop Silver Base as a comprehensive brand operator and further strengthen the Group's leading position in Chinese liquor market and increase the Shareholders' value.

### **Liquidity and Financial Resources**

The Group's working capital was healthy and positive for the year. As at 31 March 2011, the Group had cash and cash balances of HK\$339.3 million (as at 31 March 2010: HK\$977.7 million). As at 31 March 2011, the Group's net current assets were HK\$1,621.7 million (as at 31 March 2010: HK\$1,416.3 million).

### **Capital Structure of the Group**

As at 31 March 2011, the Group's banking facilities in terms of trust receipt loans of HK\$62.9 million (31 March 2010: HK\$96.8 million) were secured by the investment property of the Group with a net book value of HK\$7,548,000 (as at 31 March 2010: HK\$7,757,000) and were backed up by a corporate guarantee provided by the Company. The trust receipt loan as at 31 March 2011 were denominated in United States dollars and were interest-free within a credit period of 60 to 90 days and bore interest charged at the Hong Kong dollar/applicable currencies best lending rate minus 1% per annum or the bank's prevailing funding cost, whichever is higher, after the credit period. All trust receipt loans were fully settled within the credit period.

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars and Renminbi. Revenue derived and operating expenses incurred by the Group's subsidiaries in the PRC are mainly denominated in Renminbi. The Directors consider that a reasonably possible annual change of 5% to 10% in the exchange rate between Hong Kong dollars and Renminbi 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 centrally managed 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 capital using a gearing ratio, which is net debt divided by the total adjusted equity plus net debt. Net debt is calculated as the sum of interest-bearing bank borrowings, trade and bills payables and other payables less cash and bank balances. Capital represents equity attributable to the equity holders of the Company. The Group's policy is to maintain the gearing ratio at a reasonable level. While there was a net asset position as at 31 March 2011, the calculation of the gearing ratio is not meaningful.

## **Employment and Remuneration Policy**

The Group had a total work force of 745 employees as at 31 March 2011 (as at 31 March 2010: 318 employees). The Group has implemented the remuneration policy, bonus and share option schemes 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 adopted a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the growth of the Group. Eligible participants of the Scheme include, but not limited to, employees, Directors and any other eligible persons. Up to 31 March 2011, no share option has been granted or agreed to be granted to any person under the Scheme.

## **Use of Proceeds from Initial Public Offer**

On 8 April 2009, the Company was successfully listed on the Stock Exchange with net proceeds of approximately HK\$927.5 million.

As stated in the prospectus of the Company dated 30 March 2009 (the “Prospectus”), approximately 65% of the net proceeds is intended to be used for business development, approximately 25% is intended to be used for increasing inventory levels and approximately 10% is intended to be used for the general working capital. As at the date of this announcement, there are no material changes to the plan.

## **CODE OF CORPORATE GOVERNANCE PRACTICE**

The Company has applied the principles and has complied with the provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange throughout the year ended 31 March 2011, with a deviation from Code provision A.2.1 during the period from 25 September 2010 to 27 January 2011 as set out below.

Code provision A.2.1 provides that roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

During the period from 25 September 2010 to 27 January 2011, Mr. Liang Guoxing, the chairman of the Company, assumed the duties of the chief executive officer of the Company due to pending the new appointment of the chief executive officer of the Company. The Board considers that the balance of power and authority is adequately ensured by the operations by the Board which comprised experienced and high caliber individuals, a substantial proportion thereof being non-executive Directors.

Since 28 January 2011, the positions of the chairman and chief executive officer are held by Mr. Liang Guoxing and Mr. Guan Huanfei respectively. The segregation ensures a clear distinction between the chairman's and the chief executive officer's responsibilities. The chairman provides leadership and is responsible for the effective functioning of the Board together with certain business development functions and overall corporate strategies while the chief executive officer is focus on managing the daily management and business operations of the Group and implementing objectives, policies and strategies approved and delegated by the Board.

### **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 Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquires, all Directors confirmed that they have complied with the standard set out in the Model Code during the year ended 31 March 2011.

### **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") was established in June 2008 with written terms of reference. Mr. Hung Sui Kwan, independent non-executive Director, was appointed as chairman of the Audit Committee. Mr. Hung is a qualified accountant with extensive experience in financial reporting and controls. Other members include all other independent non-executive Directors, namely, Mr. Ma Lishan and Mr. Zhang Min. The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal for the external auditors and has the authority to raise questions regarding the resignation or dismissal of the auditors and review of the Group's financial information and oversight of the Group's financial reporting systems, internal control procedures and risk management frameworks. 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 also reviewed the confirmation given by Mr. Liang Guoxing and Yinji Investments Limited of their compliance with the deed of non-competition undertaking as disclosed in the Prospectus.

The Audit Committee has reviewed the annual results for the year ended 31 March 2011 of the Group with the management.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

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 2011.

### **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held in Hong Kong on Monday, 8 August 2011. Notice of the annual general meeting will be issued and despatched to the Shareholders in due course.

## **DIVIDEND**

The Board has resolved to recommend a final dividend of HK\$0.319 per ordinary share for the year ended 31 March 2011 (2010: HK\$0.185). Upon approval by the Shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on Friday, 12 August 2011 to the Shareholders whose names appear on the register of members of the Company on Monday, 8 August 2011.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 2 August 2011 to Monday, 8 August 2011, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the above final dividend and attending and voting at the forthcoming annual general meeting of the Company, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 1 August 2011.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.com>) and the Company (<http://www.silverbasegroup.com>). The annual report for the year ended 31 March 2011 containing all the information required by the Listing Rules will be despatched to Shareholders and available on the same websites in due course.

By Order of the Board  
**Liang Guoxing**  
*Chairman*

Hong Kong, 13 June 2011

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