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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Silver Base Group Holdings Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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)**

**CONTINUING CONNECTED TRANSACTION,  
RE-ELECTION OF DIRECTOR  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**

**CIMB Securities (HK) Limited**

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A notice convening an extraordinary general meeting of the Company to be held at Tianshan and Lushan Rooms, 5/F., Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 16 May 2011 at 2:30 p.m. is set out on pages 24 to 25 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting if you so wish.

20 April 2011

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Annual Caps”	the annual aggregate maximum amount of purchase for the Products payable by the Group to the Distribution Company under the New Distribution Agreement
“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“CIMB”	CIMB Securities (HK) Limited, a licensed corporation under the SFO which engages in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps
“Company”	Silver Base Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	directors of the Company
“Distribution Company”	Guizhou Yaxi Cellar Liquors Distribution Co., Ltd.* (貴州鴨溪窖酒銷售有限公司), a company formed under the laws of the PRC with limited liability
“Effective Date”	being the date on which the Independent Shareholders approve the New Distribution Agreement and the transactions contemplated thereunder including the Annual Caps at the EGM by way of ordinary resolution
“EGM”	an extraordinary general meeting of the Company to be held to approve the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps and the re-election of Director
“Existing Distribution Agreement”	the distribution agreement dated 10 September 2010 entered into between Silver Base Shenzhen and Guizhou Yaxi in relation to the purchase and supply of the Products
“GDP”	the gross domestic product

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“Guizhou Yaxi”	Guizhou Yaxi Liquors Co., Ltd.* (貴州鴨溪酒業有限公司), a company formed under the laws of the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors appointed to advise the Independent Shareholders in respect of the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps
“Independent Shareholders”	Shareholders of the Company other than Mr. Liang Guoxing and his associates
“Latest Practicable Date”	15 April 2011, being the latest practicable date for ascertaining information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Distribution Agreement”	the distribution agreement dated 1 April 2011 entered into between Silver Base Shenzhen and the Distribution Company in relation to the purchase and supply of the Products
“PRC”	the People’s Republic of China
“Products”	baijiu (白酒) Yaxi (鴨溪) series of 38 degree and 52 degree
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the issued capital of the Company
“Shareholders”	holders of the Shares
“Silver Base Shenzhen”	Silver Base Trading and Development (Shenzhen) Co. Ltd. (銀基貿易發展(深圳)有限公司), a company incorporated in the PRC with limited liability on 21 December 2005 and an indirect wholly-owned subsidiary of the Company

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Agreement”	the termination agreement dated 1 April 2011 entered into between Silver Base Shenzhen and Guizhou Yaxi in relation to the termination of the Existing Distribution Agreement
“%”	per cent

\* *denotes a translation of a Chinese name and/or English name only*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Liang Guoxing (*Chairman*)  
Mr. Guan Huanfei  
Mr. Wang Jindong  
Mr. Joseph Marian Laurence Ozorio  
Ms. Cheung Mei Sze

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Non-executive Directors:*

Mr. Wu Jie Si  
Mr. Chen Sing Hung, Johnny

*Head office and principal place of  
business in Hong Kong:*

27th Floor, The Sun's Group Centre  
200 Gloucester Road  
Wanchai  
Hong Kong

*Independent non-executive Directors:*

Mr. Hung Sui Kwan  
Mr. Ma Lishan  
Mr. Zhang Min

20 April 2011

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION,  
RE-ELECTION OF DIRECTOR  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 1 April 2011 in relation to, amongst other things, the Termination Agreement and the New Distribution Agreement.

On 1 April 2011, Silver Base Shenzhen and Guizhou Yaxi entered into the Termination Agreement pursuant to which the parties had agreed to terminate the Existing Distribution Agreement by mutual consent upon the taking effect of the New Distribution Agreement. Further details of the Existing Distribution Agreement and the transactions contemplated thereunder could be found in the circular of the Company dated 5 October 2010.

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## LETTER FROM THE BOARD

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Prior to the taking effect of the Termination Agreement, Silver Base Shenzhen and Guizhou Yaxi will continue to perform their respective obligations under the Existing Distribution Agreement.

In the event that the New Distribution Agreement does not become effective for whatever reasons, the Existing Distribution Agreement will remain in full force and binding on both Silver Base Shenzhen and Guizhou Yaxi.

The Directors confirm that neither Silver Base Shenzhen nor Guizhou Yaxi has to pay the other party any compensation as a result of the termination of the Existing Distribution Agreement.

On 1 April 2011, Silver Base Shenzhen entered into the New Distribution Agreement with the Distribution Company, pursuant to which Silver Base Shenzhen had been appointed as a distributor of the Products manufactured by Guizhou Yaxi for a term commencing from the Effective Date to 30 September 2013. Pursuant to the New Distribution Agreement, Silver Base Shenzhen shall place purchase orders for the Products with the Distribution Company for a minimum of RMB10,000,000 each year during the term of the New Distribution Agreement.

The purpose of this circular is to provide you with, amongst other things, (i) further information regarding the New Distribution Agreement; (ii) a letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the New Distribution Agreement; (iii) a letter from CIMB to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the New Distribution Agreement; (iv) information regarding the re-election of Director; and (v) a notice of the EGM.

### THE NEW DISTRIBUTION AGREEMENT

#### Date

1 April 2011

#### Parties

- (i) Silver Base Shenzhen (as the purchaser); and
- (ii) The Distribution Company (as the supplier).

The Distribution Company is appointed by Guizhou Yaxi as the global distributor of the Products with the authority to further appoint sub-distributors. The Distribution Company is a company owned as to 20% by Mr. Liang Guofeng and 80% by Mr. Liang Guomin. Since Mr. Liang Guofeng and Mr. Liang Guomin are cousins of Mr. Liang Guoxing, an executive Director, who is interested in 785,068,000 Shares, representing approximately 65.97% of the entire issued share capital of the Company as at the Latest Practicable Date, the Distribution Company is therefore a connected person of the Company and the transactions under the New Distribution Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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The Distribution Company is principally engaged in the sales and distribution of the Products.

### **Subject Matter**

Pursuant to the New Distribution Agreement, Silver Base Shenzhen has been appointed as a distributor of the Products manufactured by Guizhou Yaxi for a term commencing from the Effective Date to 30 September 2013.

Pursuant to the New Distribution Agreement, Silver Base Shenzhen shall place purchase orders for the Products with the Distribution Company for a minimum of RMB10,000,000 each year during the term of the New Distribution Agreement.

The Distribution Company has guaranteed that the annual supply volume of the Products to Silver Base Shenzhen in aggregate will be at least 1,000 tons and will satisfy the annual purchase quantity as ordered by Silver Base Shenzhen from time to time. The Distribution Company has agreed with Silver Base Shenzhen that the price of the Products offered to Silver Base Shenzhen will be on terms not less favourable than the terms available to other independent third parties for purchase of the Products of comparable quantity. The prices of the Products are determined with reference to costs of the Products, which have covered the tax rates chargeable to the Distribution Company in relation to the sales of the Products and a profit margin of the Distribution Company.

Silver Base Shenzhen is entitled to fix the retail price of the Products to the consumers or its distributors.

Silver Base Shenzhen shall give prior notice of 40-working day prior to the delivery of the Products and settle the purchase price by way of bank remittance within 10 working days thereafter.

### **Condition Precedent**

The New Distribution Agreement is conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the New Distribution Agreement, including the Annual Caps.

If the condition precedent is not fulfilled by 31 August 2011, the New Distribution Agreement shall lapse and be terminated and, save any antecedent breach, Silver Base Shenzhen and the Distribution Company shall be released from the New Distribution Agreement and neither party to the New Distribution Agreement shall have any claim against the other party.

### **Annual Caps**

Silver Base Shenzhen shall place purchase orders for the Products with the Distribution Company for a minimum of RMB10,000,000 each year.



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## LETTER FROM THE BOARD

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The Board proposes the Annual Caps for the period commencing from the Effective Date and ending 31 March 2012, the financial year of the Group ending 31 March 2013, and the six months ending 30 September 2013 are as follows:

	<b>For the period commencing from the Effective Date and ending 31 March 2012 (RMB'000)</b>	<b>For the financial year ending 31 March 2013 (RMB'000)</b>	<b>For the six months ending 30 September 2013 (RMB'000)</b>
Annual Caps	125,000	187,500	137,500

The Annual Caps are determined with reference to (i) the targeted sales of the Products; (ii) the expected annual growth rates of the mid-end baijiu (白酒) market in the PRC; (iii) the existing extensive distribution channels and network of the Group for baijiu (白酒) products in the PRC; and (iv) the history and recognition of the Yaxi brand in the PRC. The Board made the aforesaid assumptions based on (a) market research by a securities firm on the PRC baijiu (白酒) market which suggested the baijiu (白酒) market in the PRC had expanded by approximately 29.4% for the first six months in 2010; and (b) the annual GDP growth of the PRC would maintain at a rate of approximately 8% to 9% on a year-on-year basis.

The Annual Caps for the New Distribution Agreement are the same as those for the Existing Distribution Agreement.

The Group first introduced the Products in 2010 on a trial basis and the Group entered into the Existing Distribution Agreement on 10 September 2010 to secure the procurement of the Products. The purchase amounts of the Group in respect of the Products for the eleventh months period ended 28 February 2011 was approximately RMB14,000,000.

### REASONS FOR THE NEW DISTRIBUTION AGREEMENT

The entering into of the New Distribution Agreement was occasioned by the change in the distribution strategy of Guizhou Yaxi in relation to the Products whereby Guizhou Yaxi has engaged the Distribution Company as the global distributor of the Products with the authority to further appoint sub-distributors. Such change in the business strategy has resulted in the entering into of the Termination Agreement as well as the New Distribution Agreement.

The Group has well established distribution channels and networks in the PRC. The entering into of the New Distribution Agreement will allow the distribution of the Products continuously through the existing extensive distribution channels and networks thereby enhancing the efficiency and sales capabilities of existing extensive distribution channels and networks. The brand of Yaxi in the baijiu (白酒) market has a very long history of more than 200 years and cultural background and is widely recognized. The Products are mid-end Chinese baijiu (白酒) of “strong flavor type (濃香型)”. The introduction of the Products by the Group will on one hand expand the business of mid-end baijiu (白酒) of the Group in the PRC and will on the other hand diversify the Group’s products portfolio and increase income source.

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## LETTER FROM THE BOARD

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The management believes that the distribution of the Products will not result in substitutive competition with the existing baijiu (白酒) which the Group is now distributing, including the Wuliangye (五糧液), a high-end Chinese baijiu (白酒) and baijiu (白酒) of 43% Guojiao (國窖) 1573 but instead will complement each other. The Board believes that the entering into of the New Distribution Agreement represents a trust and recognition of the capability of the Group's distribution channels and networks by the Distribution Company, which will not only attract more high quality distributors joining the distribution team of the Group but also assist the Group in attracting other renowned liquor brands for the grant to the Group distribution rights.

The New Distribution Agreement was entered into during the ordinary and usual course of business of the Group. The Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee) consider that the terms of the New Distribution Agreement, including the Annual Caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

The Distribution Company is a company owned as to 20% by Mr. Liang Guofeng and 80% by Mr. Liang Guomin. Since Mr. Liang Guofeng and Mr. Liang Guomin are cousins of Mr. Liang Guoxing, an executive Director, who is interested in 785,068,000 Shares, representing approximately 65.97% of the entire issued share capital of the Company as at the Latest Practicable Date, the Distribution Company is therefore a connected person of the Company and the transactions under the New Distribution Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Mr. Liang Guoxing, an executive Director who has a material interest in the New Distribution Agreement, had abstained from voting on the resolution approving the New Distribution Agreement at a meeting of the Board.

Given that the applicable percentage ratios in respect of the Annual Caps exceed 5% and the annual consideration exceed HK\$10,000,000, the New Distribution Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. Mr. Liang Guoxing and his associates will have to abstain from voting on the resolution for approving the New Distribution Agreement at the EGM.

### GENERAL

The Group is principally engaged in the distribution of the Wuliangye (五糧液) Liquor Series (a popular and traditional high-end Chinese baijiu (白酒) liquor) for the PRC and international markets.

### INDEPENDENT BOARD COMMITTEE

Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps has been set out on pages 11 to 12 of this circular.

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## LETTER FROM THE BOARD

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CIMB has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders and a letter from CIMB to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps has been set out on pages 13 to 17 of this circular.

### RE-ELECTION OF DIRECTOR

Mr. Zhang Min (“Mr. Zhang”) was appointed as an independent non-executive Director by the Board with effect from 28 January 2011. Pursuant to article 83(3) of the articles of association of the Company, Mr. Zhang shall hold office only until the EGM and, being eligible, offers himself for re-election at the EGM.

Mr. Zhang, aged 53, has been the chairman and an executive director of China Fortune Group Limited, a company listed on the main board of the Stock Exchange (stock code: 290) since 12 April 2011. He was a non-executive director of China Fortune Group Limited from 8 December 2010 to 11 April 2011. He was the chief executive of China Construction Bank Corporation, Hong Kong Branch, from September 2006 to March 2011 and a director of China Construction Bank (Asia) Corporation Limited from August 2006 to March 2011. China Construction Bank (Asia) Corporation Limited is a wholly-owned subsidiary of the China Construction Bank Corporation (“CCBC”), a joint stock limited company incorporated in the PRC with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 939).

Mr. Zhang was the president of CCBC Beijing Branch from 2001 to 2006. He also held directorships in various subsidiaries of CCBC, including CCB International Group Holdings Limited, CCB Financial Holdings Limited, CCB Overseas Holdings Limited and CCB International (Holdings) Limited. Mr. Zhang has over 20 years’ experience in the banking industry through his work with the CCBC and its subsidiaries. He is also a director of the Hong Kong Chinese Enterprises Association since 2006.

Mr. Zhang obtained a bachelor of philosophy degree from the Beijing Normal College in 1982 and further obtained a master of laws from the Renmin University of China in 1988. He was the former president of the Beijing Banking Association and the Beijing Investment Institution.

Mr. Zhang does not have any relationship with any directors, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of the Company and does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Zhang has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Zhang has been appointed for a term of three years, subject to normal retirement and re-election by Shareholders pursuant to the articles of association of the Company. Pursuant to the service contract entered into between Mr. Zhang and the Company dated 28 January 2011, Mr. Zhang is entitled to an annual director’s fee of HK\$360,000, subject to annual review by the Board. His emoluments are determined by the Board with reference to his duties and responsibilities within the Company.

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## LETTER FROM THE BOARD

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Save as disclosed above, there is no matter relating to the re-election of Mr. Zhang that needs to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to any requirements of Rules 13.51(2)(h) to (v) of the Listing Rules.

### **EGM**

Set out on pages 24 to 25 is a notice convening the EGM to be held at Tianshan and Lushan Rooms, 5/F., Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 16 May 2011 at 2:30 p.m. at which relevant resolution(s) will be proposed to the Shareholders to consider and, if thought fit, approve the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps and the re-election of Mr. Zhang as an independent non-executive Director.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish.

### **RECOMMENDATION**

The Board considers that the terms of the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps, are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution approving the New Distribution Agreement and the transactions contemplated thereunder.

The Directors also consider that the re-election of Director is in the best interests of the Company and its Shareholders as a whole and recommend the Shareholders to vote in favour of the relevant resolution set out in the notice of the EGM.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully  
For and on behalf of the Board  
**Silver Base Group Holdings Limited**  
**Liang Guoxing**  
*Chairman*



**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)**

20 April 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION**

We refer to the circular of the Company dated 20 April 2011 (the “Circular”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you the terms of the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps and whether such terms are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

CIMB has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the New Distribution Agreement were entered into on normal commercial terms; and the terms of the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Independent Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 13 to 17 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 10 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the terms of the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps, and the advice of CIMB, we are of the opinion that the New Distribution Agreement was entered into on normal commercial terms; and the terms of the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps are

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend that you vote in favour of the resolution to be proposed at the EGM to approve the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps.

Yours faithfully,  
For and on behalf of  
Independent Board Committee of  
**Silver Base Group Holdings Limited**

**Hung Sui Kwan**  
*Independent*  
*non-executive Director*

**Ma Lishan**  
*Independent*  
*non-executive Director*

**Zhang Min**  
*Independent*  
*non-executive Director*

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## LETTER FROM CIMB

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25/F Central Tower  
28 Queen's Road Central  
Hong Kong

20 April 2011

*To the Independent Board Committee and the Independent Shareholders of  
Silver Base Group Holdings Limited*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps, details of which are set out in the letter from the Board as contained in the circular of the Company to the Shareholders dated 20 April 2011 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 1 April 2011, Silver Base Shenzhen, an indirect wholly-owned subsidiary of the Company, entered into the New Distribution Agreement with the Distribution Company. The Distribution Company is a company owned as to 20% by Mr. Liang Guofeng and 80% by Mr. Liang Guomin. Since Mr. Liang Guofeng and Mr. Liang Guomin are cousins of Mr. Liang Guoxing, an executive Director, who is interested in 785,068,000 Shares, representing approximately 65.97% of the entire issued share capital of the Company as at the Latest Practicable Date, the Distribution Company is therefore a connected person of the Company and the transactions under the New Distribution Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the approval of the Independent Shareholders at the EGM by way of poll. Mr. Liang Guoxing and his associates shall abstain from voting on the resolution approving the New Distribution Agreement at the EGM.

An Independent Board Committee comprising Mr. Hung Sui Kwan, Mr. Ma Lishan and Mr. Zhang Min, being the independent non-executive Directors, has been formed to advise the Independent Shareholders regarding the New Distribution Agreement.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and senior management of the Company. The Directors have declared in a responsibility statement set out in the Appendix I to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the representations made by the Directors as contained or referred to in the

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## LETTER FROM CIMB

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Circular were true and accurate at the time they were made and continue to be so at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the Distribution Company or any of their respective subsidiaries or associates.

### **PRINCIPAL FACTORS CONSIDERED**

In arriving at our opinion on the New Distribution Agreement, we have considered the following principal factors and reasons:

#### **Background and reasons**

The Group is principally engaged in the distribution of the Wuliangye (五糧液) Liquor Series (a popular and traditional high-end Chinese baijiu (白酒) liquor) for the PRC and international markets. As set out in the letter from the Board, the Distribution Company is principally engaged in the sales and distribution of the Products.

As disclosed in the announcement of the Company dated 10 September 2010, Silver Base Shenzhen and Guizhou Yaxi entered into the Existing Distribution Agreement pursuant to which Silver Base Shenzhen has been appointed as the distributor of the Products manufactured by Guizhou Yaxi. The Existing Distribution Agreement was subsequently approved by the Shareholders at the extraordinary general meeting of the Company held on 22 October 2010. The historical purchase amount for the Products by the Group for the period which the Products were first introduced by the Group on a trial basis from 1 April 2010 and 31 August 2010 and the period from 22 October 2010, being the date of approval of the Existing Distribution Agreement, to 28 February 2011, was approximately RMB14,000,000.

On 1 April 2011, Silver Base Shenzhen and Guizhou Yaxi entered into the Termination Agreement due to the change in the distribution strategy of Guizhou Yaxi in relation to the Products whereby Guizhou Yaxi has engaged the Distribution Company as the global distributor of the Products with the authority to further appoint sub-distributors. As such, Silver Base Shenzhen entered into the New Distribution Agreement with the Distribution Company, pursuant to which Silver Base Shenzhen has been appointed as a distributor of the Products manufactured by Guizhou Yaxi for a term commencing from the Effective Date to 30 September 2013.

We note that the major terms of the New Distribution Agreement, including (i) the pricing basis of the Products; (ii) the minimum purchase orders for the Products shall be placed with the Distribution Company; and (iii) the Annual Caps, are the same as the Existing Distribution Agreement.



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## LETTER FROM CIMB

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As noted from the letter from the Board, the entering into of the New Distribution Agreement will allow the distribution of the Products continuously through the existing extensive distribution channels and networks of the Group. The brand of Yaxi in the baijiu (白酒) market has a very long history of more than 200 years and cultural background and is widely recognised. The Products are mid-end Chinese baijiu (白酒) of “strong flavor type (濃香型)”. The Directors consider that the distribution of the Products under the Existing Distribution Agreement by the Group has on one hand diversified the Group’s products portfolio and on the other hand has not resulted in substitutive competition with the existing baijiu (白酒) which the Group is also distributing, including Wuliangye (五糧液), a high-end Chinese baijiu (白酒), and baijiu (白酒) of 43% Guojiao (國窖) 1573, but will complement each other.

Having considered the principal business of the Group, the nature of the transactions contemplated under the New Distribution Agreement, the New Distribution Agreement was entered to replace the Existing Distribution Agreement only due to change in distribution strategy of Guizhou Yaxi and the transactions contemplated under the New Distribution Agreement will be conducted on normal commercial terms and on terms no less favourable to the Group than terms available to other independent third parties (as explained below), we concur with the view of the Directors that the entering into of the New Distribution Agreement falls within the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole.

### **Basis of determination**

The terms of the New Distribution Agreement are primarily the same as those in the Existing Distribution Agreement. Pursuant to the New Distribution Agreement, Silver Base Shenzhen shall place purchase orders for the Products with the Distribution Company for a minimum of RMB10,000,000 each year during the term of the New Distribution Agreement. The Distribution Company has guaranteed that the annual supply volume of the Products to Silver Base Shenzhen in aggregate will be at least 1,000 tons and will satisfy the annual purchase quantity as ordered by Silver Base Shenzhen from time to time. For reference purposes, 1 ton represents approximately 2,000 bottles, and the purchase orders for the Products to be placed at a minimum of RMB10,000,000 each year pursuant to the New Distribution Agreement represents approximately between 27 tons and 111 tons each year, depending on the type of the Products and the relevant price.

Additionally, the Distribution Company has agreed with Silver Base Shenzhen that the price of the Products offered to Silver Base Shenzhen will be on terms not less favourable than the terms available to other independent third parties for purchase of the Products of comparable quantity. The prices of the Products are determined with reference to costs of the Products, which have covered the tax rates chargeable to the Distribution Company in relation to the sales of the Products and a profit margin of the Distribution Company. It is also stipulated in the New Distribution Agreement that Silver Base Shenzhen is entitled to fix the retail price of the Products to the consumers or its distributors.

To assess the reasonableness of the prices of the Products payable by the Group to the Distribution Company and the other terms under the New Distribution Agreement, we have obtained and reviewed sample copies of distribution agreements (the “I3P Agreements”) entered into between the Distribution Company and other independent third parties (the “Independent Sub-distributors”) with validity period until 31 March 2011, together with a notice of price adjustments of the Products given by the Distribution Company to the Independent Sub-distributors dated 2 December 2010.

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## LETTER FROM CIMB

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Based on our review of the I3P Agreements and the notice of price adjustments of the Products to the Independent Sub-distributors, we noted that the prices of the Products payable by the Group to the Distribution Company under the New Distribution Agreement are more favorable than those payable by the Independent Sub-distributors to the Distribution Company under the I3P Agreements.

Having considered the above, in particular the fact that transactions contemplated under the New Distribution Agreement will be conducted on normal commercial terms and on terms no less favourable to the Group than terms available to other independent third parties, we concur with the Directors' view that the terms of the New Distribution Agreement are fair and reasonable so far as the Company and Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

### The Annual Caps

The Annual Caps of the New Distribution Agreement for the period commencing from the Effective Date and ending 31 March 2012, the financial year of the Group ending 31 March 2013, and the six months ending 30 September 2013 are as follows:

	<b>For period commencing from the Effective Date and ending 31 March 2012 (RMB '000)</b>	<b>For the financial year ending 31 March 2013 (RMB '000)</b>	<b>For the six months ending 30 September 2013 (RMB '000)</b>
The Annual Caps	125,000	187,500	137,500

As stated in the letter from the Board, the Annual Caps for the New Distribution Agreement are the same as those for the Existing Distribution Agreement. The Group first introduced the Products in 2010 on a trial basis and the Group entered into the Existing Distribution Agreement on 10 September 2010 to secure the procurement of the Products. The purchase amounts for the Products by the Group in respect of the Products for the eleventh months period ended 28 February 2011 was approximately RMB14,000,000.

We note that the Board has considered the following factors in determining the Annual Caps: (i) the targeted sales of the Products; (ii) the expected annual growth rates of the mid-end baijiu (白酒) market in the PRC; (iii) the existing extensive distribution channels and network of the Group for baijiu (白酒) products in the PRC; and (iv) the history and recognition of the Yaxi brand in the PRC. The Board made the aforesaid assumptions based on (a) market research carried out by a securities firm on the PRC baijiu (白酒) market which suggests that the baijiu (白酒) market in the PRC had expanded by approximately 29.4% for the first six months in 2010; and (b) the annual GDP growth of the PRC would maintain at a rate of approximately 8% to 9% on a year-on-year basis.

In assessing the fairness and reasonableness of the Annual Caps, we have reviewed and discussed with the management of the Company on the basis considered in the determination of the Annual Caps, and are given to understand that the targeted sales of the Products are based on the Company's internal projections and market feedback following the introduction of the Products. We note that the historical purchase amount for the Products by the Group for the eleventh months period ended 28 February 2011 was approximately RMB14,000,000. As advised by the management of the Company, the purchase

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## **LETTER FROM CIMB**

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amount for the Products was minimal during the period from 1 April 2010 to 31 August 2010 as the Products were introduced on a trial basis and the purchase amount for the Products during the period from 22 October 2010, being the date of approval of the Existing Distribution Agreement, to 28 February 2011 was not a good indicator of the future purchase amount for the Products by the Group as the Products was going through an introduction period and in order to adjust the implementation strategy and distribution plans of the Products to best respond to market feedback, the purchase order for the Products were placed on a prudent basis and the management of the Company expects that the purchase orders for the Products will increase after the introduction period. We note that the baijiu (白酒) market in the PRC had expanded by approximately 27% for the year ended 2010 as stated in the China Securities Journal (中國證券報) on 28 January 2011. We note that in determining the growth rates for the distribution of the Products, the management of the Company has also make reference to the Group's historical sales and the associated growth rates relating to the initial three-year period as the distributor of the Wuliangye (五糧液) Liquor Series. We consider that this is a reasonable reference and have reviewed the historical growth rates for the distribution of the Wuliangye (五糧液) Liquor Series and considered that the targeted sales volume of the Products as well as the expected growth rates are determined on a reasonable basis given the Group's past experience and track record in other Chinese baijiu (白酒) products, its extensive distribution channels and networks for baijiu (白酒) products in the PRC, and the history and recognition of Yaxi brand in the PRC.

Based on the various factors described above, we regard the Annual Caps to be fair and reasonable so far as the Company and the Independent Shareholders are concerned. However, as the Annual Caps relate to future events and are based on assumptions which may or may not remain valid for the entire period up to 30 September 2013, consequently, we express no opinion as to how closely the actual amount paid by the Group to the Distribution Company under the New Distribution Agreement corresponds with the Annual Caps.

### **RECOMMENDATION**

Having considered the principal factors and reasons referred to the above, we consider that the entering into of the New Distribution Agreement is in the ordinary and usual course of business of the Group and in the interest of the Group and the Shareholders as a whole, the terms of the New Distribution Agreement are on normal commercial terms and are fair and reasonable so far as, the Company and the Independent Shareholders are concerned, and the basis for determining the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the New Distribution Agreement and the Annual Caps.

Yours faithfully,  
For and on behalf of  
**CIMB Securities (HK) Limited**  
**Alex Lau**                          **Mabel Lam**  
*Head*                                         *Director*  
*Corporate Finance*                        *Corporate Finance*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Substantial Shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Number or attributable number of Shares held or short positions	Position	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Keen Pearl Limited	184,068,000 (Note 1)	Long	Beneficial Owner	15.47
Yinji Investments Limited	601,000,000 (Note 2)	Long	Beneficial Owner	50.50
Grand Base Holdings Limited	601,000,000 (Note 2)	Long	Interest in controlled corporation	50.50
HSBC International Trsutee Limited	601,000,000 (Note 2)	Long	Trustee of discretionary trust	50.50
Lou Li	601,000,000 (Note 2)	Long	Beneficial object of a discretionary trust	50.50
Liang Gia Li Melody	601,000,000 (Note 2)	Long	Beneficial object of a discretionary trust	50.50
FMR LLC	81,587,000 (Note 3)	Long	Interest in controlled corporations	6.86

*Notes:*

1. These Shares were held by Keen Pearl Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which was owned by Mr. Liang Guoxing.
2. These Shares were held by Yinji Investments Limited. The entire issued share capital of Yinji Investments Limited was 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 were Mr. Liang Guoxing, Ms. Luo Li, the spouse of Mr. Liang Guoxing, and Miss Liang Gia Li, Melody, the daughter of Mr. Liang Guoxing. HSBC International Trustee Limited was deemed to be interested in the Shares in the capacity of a trustee of the discretionary trust as aforementioned.
3. 79,690,000 Shares were held by Fidelity Management & Research Company and 1,897,000 Shares were held by Fidelity Management Trust Company, Pyramis Global Advisors LLC. Both Fidelity Management & Research Company and Fidelity Management Trust Company, Pyramis Global Advisors LLC are companies incorporated in Boston MA and 100% owned by FMR LLC. FMR LLC was thereby deemed to have an interest in these Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other person (other than Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

**(b) Director's interests and short positions in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Name of Director	Number or attributable number of Shares held or short positions	Position	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Liang Guoxing	184,068,000 (Note 1)	Long	Interest of controlled corporation	15.47
	601,000,000 (Note 2)	Long	Founder and beneficial object of a discretionary trust	50.50

*Notes:*

1. These Shares were held by Keen Pearl Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which was owned by Mr. Liang Guoxing.
2. These Shares were held by Yinji Investments Limited. The entire issued share capital of Yinji Investments Limited was 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 Guoxing, Ms. Luo Li, the spouse of Mr. Liang Guoxing, and Miss Liang Gia Li, Melody, the daughter of Mr. Liang Guoxing. HSBC International Trustee Limited is deemed to be interested in the Shares in the capacity of a trustee of the discretionary trust as aforementioned.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### 4. EXPERT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
CIMB	a licensed corporation under the SFO which engages in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities

CIMB has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, CIMB did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**5. LITIGATION**

No member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

**6. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2010, being the date to which the latest published audited financial statements of the Group was made up.

**7. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**8. MISCELLANEOUS**

(a) Save and except:

- (i) the tenancy agreement dated 12 March 2010 entered into between Silver Base Trading and Development (Shenzhen) Co. Ltd. and Mr. Liang Guoxing in relation to the leasing of Rooms 5709 and 5710, Shun Hing Square, Jiefang Road, Luohu District, Shenzhen City, the PRC, for a term of three years commencing from 1 April 2010 at a monthly rent of RMB57,300;
- (ii) the tenancy agreement dated 12 March 2010 entered into between Silver Base Wine & Spirit (Shenzhen) Co. Ltd. and Mr. Liang Guoxing in relation to the leasing of Room 5713, Shun Hing Square, Jiefang Road, Luohu District, Shenzhen City, the PRC for a term of three years commencing from 1 April 2010 at a monthly rent of RMB19,000;
- (iii) the tenancy agreement dated 11 March 2011 entered into between Silver Base International Development Co. Limited and Silver Base (Holdings) Limited, a company owned by Mr. Liang Guoxing, in relation to the leasing of (i) the 27th Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong; (ii) car parking space no. 37 on the 2nd Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong; and (iii) car parking space no. 47 on the 3rd Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong. for a term of two years commencing from 1 April 2011 at a monthly rent of HK\$265,290;

- (iv) the tenancy agreement dated 11 March 2011 entered into between Silver Base International Development Co. Limited and Silver Base (Holdings) Limited, a company owned by Mr. Liang Guoxing, in relation to the leasing of House No. 8, No. 33 Island Road, Hong Kong, for a term of two years commencing from 1 April 2011 at a monthly rent of HK\$532,800;
- (v) the tenancy agreement dated 11 March 2011 entered into between Silver Base Trading and Development (Shenzhen) Co. Ltd. and Mr. Liang Guoxing in relation to the leasing of Rooms 5711, 5712, 5715 and 5716, Shun Hing Square, Jiefang Road, Luohu District, Shenzhen City, the PRC for a term of two years commencing from 1 April 2011 at a monthly rent of RMB94,000;
- (vi) the Existing Distribution Agreement;
- (vii) the Termination Agreement; and
- (viii) the New Distribution Agreement.

there is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group as at the Latest Practicable Date.

- (b) Save as disclosed in (a) above, as at the Latest Practicable Date, neither CIMB nor any Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.
- (c) Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong is located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The secretary of the Company is Ms. Fok Pik Yi, Carol. Ms. Fok obtained a master degree in business administration from the University of Surrey in the United Kingdom and a master of science degree in international shipping and transport logistics from the Hong Kong Polytechnic University. She is an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.



**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on business days at the office of the Company at 27th Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to and including 16 May 2011:

- (a) the memorandum and articles of association of the Company;
- (b) the Existing Distribution Agreement;
- (c) the Termination Agreement;
- (d) the New Distribution Agreement; and
- (e) this circular.

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## NOTICE OF EGM

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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)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of the shareholders (the “Shareholders”) of Silver Base Group Holdings Limited (the “Company”) will be held at Tianshan and Lushan Rooms, 5/F., Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 16 May 2011 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the distribution agreement (the “New Distribution Agreement”) (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) dated 1 April 2011 and entered into between Silver Base Trading and Development (Shenzhen) Co. Ltd. (銀基貿易發展(深圳)有限公司) (“Silver Base Shenzhen”), as purchaser, and Guizhou Yaxi Cellar Liquors Distribution Co., Ltd.\* (貴州鴨溪窖酒銷售有限公司) (the “Distribution Company”), as supplier, in relation to the purchase and supply of baijiu (白酒) Yaxi (鴨溪) series of 38 degree and 52 degree (the “Products”) for a term commencing from the date of passing of this resolution (the “Effective Date”) to 30 September 2013 and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the annual cap of RMB125,000,000, RMB187,500,000 and RMB137,500,000 for the purchase of the Products by Silver Base Shenzhen from the Distribution Company pursuant to the New Distribution Agreement respectively for the period commencing from the Effective Date and ending 31 March 2012, the financial year of the Group ending 31 March 2013, and the six months ending 30 September 2013 be and are hereby approved, confirmed and ratified; and

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## NOTICE OF EGM

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- (c) any one or more of the directors (the “Directors”) of the Company be and is/are hereby authorised to take all steps he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the New Distribution Agreement and the transactions contemplated thereunder.”
2. “**THAT** Mr. Zhang Min be re-elected as independent non-executive Director of the Company.”

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

Hong Kong, 20 April 2011

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

27th Floor, The Sun’s Group Centre  
200 Gloucester Road, Wanchai  
Hong Kong

*Notes:*

1. Any Shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.
4. Where there are joint Shareholders any one of such joint Shareholder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the EGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of shareholders of the Company in respect of the joint holding.
5. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
6. As at the date of this notice, the board of Directors 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.

\* denotes a translation of a Chinese name and/or English name only